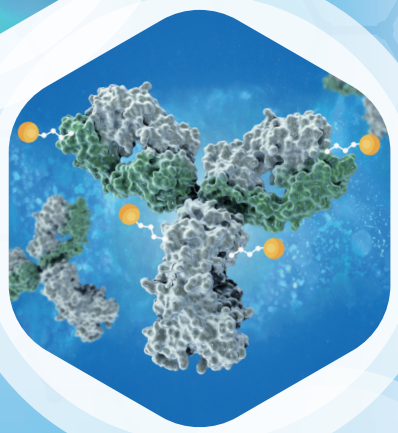
基石药业
CSTONE
PHARMACEUTICALS

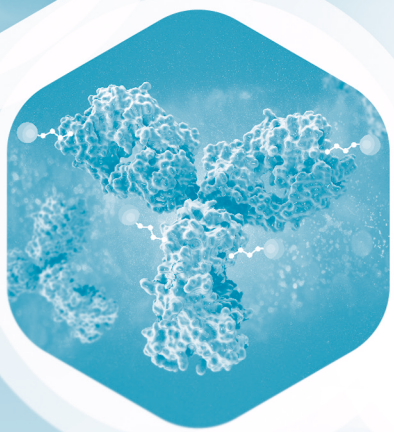
CStone Pharmaceuticals
基石藥業

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)

Stock Code 股份代號 : **2616**



2023 年度報告 Annual Report



Contents

Corporate Information

BOARD OF DIRECTORS

Executive Director

Dr. Jianxin Yang *(Chief Executive Officer)*

Non-executive Directors

Dr. Wei Li *(Chairman)*
Mr. Kenneth Walton Hitchner III
Mr. Yanling Cao *(resigned on January 18, 2023)*
Mr. Xianghong Lin
Mr. Edward Hu

Independent Non-executive Directors

Dr. Paul Herbert Chew
Mr. Ting Yuk Anthony Wu
Mr. Hongbin Sun

AUDIT COMMITTEE

Mr. Hongbin Sun *(Chairman)*
Dr. Paul Herbert Chew
Mr. Ting Yuk Anthony Wu

COMPENSATION COMMITTEE

Mr. Ting Yuk Anthony Wu *(Chairman)*
Dr. Wei Li
Dr. Paul Herbert Chew

NOMINATION COMMITTEE

Dr. Wei Li *(Chairman)*
Mr. Yanling Cao *(resigned on January 18, 2023)*
Dr. Paul Herbert Chew
Mr. Ting Yuk Anthony Wu
Mr. Hongbin Sun

STRATEGY COMMITTEE

Dr. Jianxin Yang *(Chairman)*
Mr. Edward Hu
Dr. Paul Herbert Chew

INVESTMENT COMMITTEE

Mr. Edward Hu *(Chairman)*
Mr. Kenneth Walton Hitchner III
Mr. Hongbin Sun

AUTHORIZED REPRESENTATIVES

Dr. Jianxin Yang
Ms. Yin Kwan Ho

JOINT COMPANY SECRETARIES

Ms. Weicong Ni *(appointed on January 18, 2023)*
Mr. Ning He *(resigned on January 18, 2023)*
Ms. Yin Kwan Ho

COMPANY WEBSITE:

www.cstonepharma.com

REGISTERED OFFICE

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Cayman Islands

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

PRINCIPAL SHARE REGISTRAR

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Cayman Islands

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COMPLIANCE ADVISER

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Hong Kong

STOCK CODE

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Registered Public Interest Entity Auditors
35/F, One Pacific Place
88 Queensway
Admiralty
Hong Kong

Financial Highlights

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") MEASURES:

- **Revenue** was RMB463.8 million for the year ended December 31, 2023, composed of RMB336.7 million in sales of pharmaceutical products (avapritinib, pralsetinib and ivosidenib), RMB95.7 million in license fee income and RMB31.4 million in royalty income of sugemalimab, representing a year-on-year increase of RMB10.1 million, or 8.6%, in license fee and royalty income which largely offset a decrease in revenue from sales of pharmaceutical products, such that total revenue decreased by RMB17.5 million, or 3.6%, year on year.

- **Research and development expenses** were RMB527.8 million for the year ended December 31, 2023, representing a decrease of RMB86.4 million from RMB614.2 million for the year ended December 31, 2022, primarily due to the decrease in milestone fee and third party contracting costs and the decrease in employee costs.

- **Administrative expenses** were RMB182.7 million for the year ended December 31, 2023, representing a decrease of RMB66.4 million from RMB249.1 million for the year ended December 31, 2022, primarily due to the decrease in employee costs.

- **Selling and marketing expenses** were RMB199.3 million for the year ended December 31, 2023, representing a decrease of RMB128.0 million from RMB327.3 million for the year ended December 31, 2022, primarily attributable to the decrease in employee costs and professional fees.

- **Loss for the year** was RMB367.2 million for the year ended December 31, 2023, representing a decrease of RMB535.5 million, or 59.3%, from RMB902.7 million for the year ended December 31, 2022, primarily attributable to a substantial decrease in employee costs and the net gain related to the transfer of ivosidenib business.

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

- **Research and development expenses** excluding the share-based payment expenses were RMB534.7 million for the year ended December 31, 2023, representing a decrease of RMB24.4 million from RMB559.1 million for the year ended December 31, 2022, primarily due to the decrease in milestone fee and third party contracting costs and the decrease in employee costs.

- **Administrative and selling and marketing expenses** excluding the share-based payment expenses were RMB338.2 million for the year ended December 31, 2023, representing a decrease of RMB151.1 million from RMB489.3 million for the year ended December 31, 2022, primarily attributable to the decrease in employee costs and professional fees.

- **Loss for the year** excluding the share-based payment expenses was RMB330.2 million for the year ended December 31, 2023, representing a decrease of RMB430.4 million, or 56.6%, from RMB760.6 million for the year ended December 31, 2022, primarily attributable to a substantial decrease in employee costs and the net gain related to the transfer of ivosidenib business.

	As at December 31/year ended December 31,				
	2023	2022	2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-IFRS measures					
Research and development expenses (excluding the share-based payment expenses)	**(534,710)**	(559,147)	(1,182,110)	(1,245,712)	(1,188,743)
Administrative expenses & Selling and marketing expenses (excluding the share-based payment expenses)	**(338,159)**	(489,316)	(561,548)	(287,607)	(137,640)
Loss for the year (excluding the non-IFRS adjustments)	**(330,241)**	(760,616)	(1,697,429)	(864,976)	(1,141,263)
IFRS measures					
Revenue	**463,842**	481,363	243,718	1,038,832	–
Cost of revenue	**(159,547)**	(202,985)	(106,832)	(241,421)	–
Other income	**50,608**	18,722	45,773	51,671	83,962
Other gains and losses	**199,544**	(776)	(134,188)	(179,419)	(637,365)
Research and development expenses	**(527,799)**	(614,162)	(1,304,945)	(1,404,684)	(1,395,624)
Administrative expenses	**(182,714)**	(249,062)	(297,596)	(342,508)	(341,476)
Selling and marketing expenses	**(199,349)**	(327,301)	(363,788)	(142,150)	–
Listing expenses	**–**	–	–	–	(17,638)
Finance costs	**(11,819)**	(8,477)	(2,242)	(1,320)	(303)
Loss for the year	**(367,234)**	(902,678)	(1,920,100)	(1,220,999)	(2,308,444)
Loss per share					
Basic and diluted (RMB)	**(0.29)**	(0.77)	(1.65)	(1.17)	(2.39)
Cash and cash equivalents and time deposits	**1,026,671**	1,042,091	1,603,444	3,383,418	2,725,867
Total assets	**1,661,999**	1,638,427	2,271,453	3,762,752	2,950,645
Total liabilities	**1,205,169**	1,189,101	1,064,445	808,292	469,063
Total equity	**456,830**	449,326	1,207,008	2,954,460	2,481,582

Business Highlights

For the year ended December 31, 2023 and as of the date of this annual report, significant progress has been made with respect to our product pipeline and business operations. A shortlist of our achievements over this period includes:

- RMB463.8 million in total revenue, including RMB368.1 million in commercial revenue which is composed of RMB336.7 million in sales of our precision medicines and RMB31.4 million in royalty income of sugemalimab. RMB199.5 million in other gains and loss, which was primarily due to net gain of RMB179.5 million related to the transfer of license for the ivosidenib business to Les Laboratoires Servier ("**Servier**")

- Five new drug application ("**NDA**") approvals obtained for pralsetinib and sugemalimab: for pralsetinib, first-line treatment of rearranged during transfection ("**RET**") fusion-positive non-small cell lung cancer ("**NSCLC**") in mainland China which leads to a broader coverage of pralsetinib in both first-line and second-line NSCLC; RET fusion-positive NSCLC, RET-mutant medullary thyroid cancer ("**MTC**") & RET fusion-positive thyroid cancer ("**TC**") in Taiwan, China. For sugemalimab, monotherapy for relapsed or refractory ("**R/R**") extranodal natural killer/T-cell lymphoma ("**ENKTL**") in mainland China; in combination with chemotherapy for first-line esophageal squamous cell carcinoma ("**ESCC**") in mainland China and in combination with chemotherapy for first-line gastric adenocarcinoma/gastroesophageal junction adenocarcinoma ("**GC/GEJ**") in mainland China

- Two NDAs currently under review: sugemalimab in combination with chemotherapy for first-line stage IV NSCLC in the United Kingdom ("**U.K.**") and sugemalimab in combination with chemotherapy for first-line stage IV NSCLC in the European Union ("**E.U.**"). The Good Clinical Practice ("**GCP**") inspections from the European Medicines Agency (the "**EMA**") for first-line stage IV NSCLC have been completed at two study centers and at Contract Research Organization ("**CRO**")

- Global multi-regional clinical trial of CS5001 making rapid progress: the first-in-human ("**FIH**") global study of CS5001, a receptor tyrosine kinase-like orphan receptor 1 ("**ROR1**") antibody-drug conjugate ("**ADC**"), being conducted in the United States of America ("**U.S.**"), Australia and China; CS5001 appears well tolerated and safe and has demonstrated promising antitumor activities in both solid tumor and lymphoma. CS5001 is so far the first ROR1 ADC which demonstrates clinical anti-tumor activity in solid tumor

- Other key clinical programs proceeding smoothly: the pivotal study of lorlatinib for c-ros oncogene 1 ("**ROS1**")-positive advanced NSCLC in mainland China met the primary endpoint; the global phase III trial of nofazinlimab in combination with LENVIMA® (lenvatinib) in first-line unresectable or metastatic hepatocellular carcinoma ("**HCC**") is ongoing with continued follow-up

- Ten data presentations/publications at/in global academic conferences/top-tier medical journals, such as the American Society of Clinical Oncology ("**ASCO**") Annual Meeting, European Society for Medical Oncology ("**ESMO**") Congress, ESMO World Congress on Gastrointestinal Cancer ("**ESMO GI Congress**"), *Journal of Clinical Oncology, Nature Medicine, Nature Cancer,* etc.

- Over ten discovery projects in progress, including multi-specifics, ADCs, and a proprietary cell penetrating therapeutic ("**CPT**") platform for drugging intractable intracellular targets; Preclinical candidates ("**PCCs**") have been achieved by one multi-specific project and one ADC project

– Three commercial collaborations have been established to leverage multiple companies' strengths while enabling CStone to strategically focus on research and development going forward: a new partnership with 3SBio Inc. ("**3SBio**") in China for nofazinlimab to accelerate the Chemistry, Manufacturing and Controls ("**CMC**") development and commercialization of nofazinlimab; a new partnership with Allist Pharmaceuticals ("**Allist**") in China for GAVRETO® (pralsetinib) to significantly expand commercial support and improve overall profitability of the business; we transferred the Greater China & Singapore rights to TIBSOVO® (ivosidenib) to the global license holder Servier for up to US$50 million including US$44 million upfront to recoup the historical investments on this asset and monetize potential future cash flow

– The application of manufacturing localization for avapritinib is under review by the Center for Drug Evaluation ("**CDE**") of the National Medical Products Administration ("**NMPA**"). The application of manufacturing localization for pralsetinib, including manufacturing and clinical bio-equivalence ("**BE**") study, has been completed and the application dossier have been accepted by CDE. These will help to reduce costs and improve the long-term profitability of the products

I. Maximizing Commercial Value through Partnerships

Highlights and details on our commercial activities as of the date of this annual report are as follows:

- ***Commercial collaborations with multiple companies in China***

  In order to further improve the commercialization efficiency, we have established commercial collaborations with multiple companies during the year to leverage their strengths while enabling CStone to strategically focus on research and development going forward.

  – In November 2023, we granted the exclusive commercial rights for GAVRETO® (pralsetinib), a RET inhibitor, to Allist in mainland China. This deal integrates GAVRETO® (pralsetinib) into Allist's highly synergistic lung cancer franchise and enables GAVRETO® (pralsetinib) to benefit from Allist's more mature commercial team and significantly broader market coverage, while concurrently allowing CStone to reduce operating costs associated with GAVRETO® (pralsetinib) commercialization thereby improving overall profitability.

  – In December 2023, we transferred the exclusive rights to develop, manufacture and commercialize TIBSOVO® (ivosidenib) in the Greater China region (including mainland China, Hong Kong, Macau and Taiwan) and Singapore to Servier and will receive up to US$50 million in exchange. The transaction will help to expand indication and improve accessibility of TIBSOVO® (ivosidenib) for patients in Greater China and Singapore while monetizing potential future cash flow for CStone and recouping historical investment on the asset.

- ***Achieved successful launches of new indications***

  We expanded the indications for our in-market products and positioned them to become meaningful future contributors to our revenue.

  – GAVRETO® (pralsetinib): A new indication for the first-line treatment of patients with locally advanced or metastatic RET fusion-positive NSCLC was launched in mainland China.

  – GAVRETO® (pralsetinib): The indications for the treatment of patients with RET fusion-positive locally advanced or metastatic NSCLC, and advanced or metastatic RET-mutant MTC and RET fusion-positive TC were launched in Taiwan, China.

- CEJEMLY® (sugemalimab): A new indication was successfully launched in mainland China for the first-line treatment of patients with unresectable locally advanced, recurrent, or metastatic ESCC in combination with fluorouracil and platinum-based chemotherapy.

- CEJEMLY® (sugemalimab): A new indication was successfully launched in mainland China for the treatment of patients with R/R ENKTL as a monotherapy.

- CEJEMLY® (sugemalimab): A new indication was successfully launched in mainland China in combination with chemotherapy for the first-line treatment of patients with locally advanced or metastatic GC/GEJC.

• ***Developing a range of approaches to promote accessibility and affordability of our drugs***

- We have updated our pricing strategy for our in-market products. Specifically, AYVAKIT® (avapritinib) has been added to the National Reimbursement Drug List for National Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance (2023) (the "**NRDL**") in China, for the treatment of adults with unresectable or metastatic gastrointestinal stromal tumor ("**GIST**") harboring the PDGFRA exon 18 mutation, including PDGFRA D842V mutations.

- The patient assistance program ("**PAP**") scheme for GAVRETO® (pralsetinib) and TIBSOVO® (ivosidenib) were updated to lower the barrier for some patients with low affordability and improve price competitiveness.

• ***Established broad industry and academic awareness of our brand and scientific leadership***

- GAVRETO® (pralsetinib), AYVAKIT® (avapritinib) and TIBSOVO® (ivosidenib) were included in 21 of China's national guidelines for testing and treatment in multiple therapeutic areas, such as NSCLC, TC, GIST, systemic mastocytosis ("**SM**"), and acute myeloid leukemia ("**AML**"), etc. In particular, the 2023 Chinese Society of Clinical Oncology ("**CSCO**") NSCLC guideline, the 2022 CSCO GIST Guidelines, the 2022 Chinese Guideline for Diagnosis and Treatment of Systemic Mastocytosis in Adults, and the 2022 China Anti-Cancer Association ("**CACA**") Hematological Oncology Guideline, etc.

- We continued working with investigators in post-market clinical projects, such as investigator-initiated trials ("**IIT**") and real-world studies ("**RWS**"), to generate additional data in multiple cancer indications. For example, a multi-centered RWS evaluated the safety and efficacy of AYVAKIT® (avapritinib) in Chinese patients with GIST; another IIT aims to study the efficacy and safety profile of AYVAKIT® (avapritinib) for the treatment of R/R Core Binding Factor ("**CBF**")-AML with KIT D816 or N822 mutations.

• ***Collaborating with Pfizer on the commercialization of sugemalimab in China***

- We are closely collaborating with our partner Pfizer on the commercialization of CEJEMLY® (sugemalimab) in mainland China.

- In 2023, CEJEMLY® (sugemalimab) as a treatment of stage III NSCLC has been upgraded to a Level 1 recommendation in the 2023 CSCO NSCLC guideline and the 2023 CSCO Immunotherapy guideline. In addition, CEJEMLY® (sugemalimab) as a treatment of stage III NSCLC has also been included in the 2023 Chinese Medical Association clinical practice guideline in China.

II. Clinical Advancements across an Evolving Pipeline

Details are as follows:

- **CS5001** (LCB71, ROR1 ADC)

  – The global FIH study of this potential best-in-class ("**BIC**") ROR1 ADC has shown swift recruitment to the dose-escalation part in the U.S., Australia and China.

  – On December 20, 2023, we reported preliminary findings from the early phase of the ongoing FIH study, at which time the safety evaluation of dose level 7 had been completed and efficacy evaluation was ongoing. CS5001 appears to be well tolerated and safe and has demonstrated promising antitumor activities in both solid tumor and lymphoma. CS5001 is so far the first ROR1 ADC which has reported clinical anti-tumor activity in solid tumor.

  – As of the date of this annual report, we have escalated to dose level 9; no dose limiting toxicity ("**DLT**") was observed; and maximum tolerated dose ("**MTD**") has not been reached. In heavily pretreated patients with lymphoma or solid tumor who were enrolled regardless of ROR1 status, CS5001 has been well tolerated as the dose level increases; no grade 4-5 treatment-related adverse events were observed. The pharmacokinetics ("**PK**") profile of CS5001 was as expected and indicated excellent stability of the ADC. Encouraging antitumor activities were observed starting from dose level 5, including partial and complete responses in both advanced solid tumor (e.g. lung cancer and pancreatic cancer) and lymphoma (e.g. Hodgkin lymphoma and diffuse large B-cell lymphoma ("**DLBCL**")). We expect to determine the preliminary recommended phase 2 dose ("**RP2D**") of CS5001 in the first half of 2024 and plan to initiate a registrational phase Ib/II trial by the end of 2024. With more data being accumulated during dose escalation, multiple presentations at international academic conferences are being planned for in 2024, including ASCO, ESMO, American Society of Hematology Annual Meeting ("**ASH**"), etc.

  – CS5001 has many distinctive features, including proprietary site-specific conjugation, tumor-cleavable linker, and prodrug technology. CS5001 demonstrated BIC potential in mantle cell lymphoma and triple negative breast cancer xenograft models compared to a benchmark ROR1 ADC with Monomethyl auristatin E ("**MMAE**") payload. In addition, CS5001 demonstrated a bystander effect in *in vitro* co-culture systems, suggesting that solid tumors with heterogeneous/low expression of ROR1 may also benefit. In March 2023, we presented the translational data of CS5001 in an oral session at the 13th world ADC London conference ("**World ADC London**").

  – In addition, we have identified a promising candidate ROR1 antibody clone for immuno-histochemistry ("**IHC**") to enable biomarker-driven patient selection based on tumor ROR1 expression, supporting precision medicine efforts in the future.

- **Sugemalimab** (CS1001, PD-L1 antibody), new indications under review and expanding to Europe and the U.K.

  – **Stage IV NSCLC:**

    - For the markets outside of Greater China, the marketing authorization application ("**MAA**") for stage IV NSCLC indication is under review by the regulatory agencies in multiple countries and regions. In February 2023 and December 2022, the MAA filing for sugemalimab in combination with chemotherapy as the first-line treatment for patients with metastatic NSCLC was accepted by the EMA in the E.U. and the Medicines and Healthcare products Regulatory Agency ("**MHRA**") in the U.K. respectively. Currently, this indication is under review by both parties. In July 2023, we received the GCP inspection notification from EMA for this indication in the E.U. In October 2023, we received the Day-80 Request for Further Information ("**RFI**") from MHRA which did not contain any unsolvable questions. In December 2023, we received the Day-180 List of Outstanding Issues ("**LoOI**") from EMA which indicated that all questions had been properly addressed during previous rounds of communications. In February 2024, we completed GCP inspections from the EMA at two study centers and at CRO.

    - In June 2023, we announced that the results of Overall Survival ("**OS**") interim analysis in the registrational GEMSTONE-302 study in patients with stage IV NSCLC had been published in a world-renowned oncology journal – *Nature Cancer*.

  – **GC/GEJC:**

    - In March 2024, we received the NDA approval from the NMPA for the first-line treatment of patients with locally advanced or metastatic GC/GEJC (Combined Positive Score ("**CPS**")≥5).

    - In February 2023, we received the NDA acceptance from the NMPA for the first-line treatment of patients with locally advanced or metastatic GC/GEJC (CPS≥5).

    - In October 2023, the results of the pre-specified progression-free survival ("**PFS**") and OS final analyses in the GEMSTONE-303 study were accepted as a late-breaking abstract ("**LBA**") and showcased in an oral session at the ESMO Congress 2023. Sugemalimab in combination with chemotherapy demonstrated statistically significant and clinically meaningful improvement in PFS and OS compared with placebo plus chemotherapy.

- **ESCC:**
  - In December 2023, we received the NDA approval from the NMPA for the first-line treatment of patients with unresectable locally advanced, recurrent, or metastatic ESCC.
  - In April 2023, we received the NDA acceptance from the NMPA for the first-line treatment of patients with unresectable locally advanced, recurrent, or metastatic ESCC.
  - In January 2023, we announced that the GEMSTONE-304 study for the first-line treatment of unresectable locally advanced, recurrent, or metastatic ESCC had met its primary endpoints. Sugemalimab in combination with chemotherapy demonstrated a statistically significant and clinically meaningful improvement in PFS and OS compared with placebo in combination with chemotherapy. We presented the detailed results at the ESMO GI Congress in June 2023.
  - In February 2024, the results of the PFS final analysis and the OS interim analysis in the registrational GEMSTONE-304 study were published in a top-tier medical journal – *Nature Medicine*.
- **R/R ENKTL:**
  - In October 2023, we received the NDA approval from the NMPA for the treatment of the patients with R/R ENKTL as a monotherapy.
  - In March 2023, we announced that the results of the registrational GEMSTONE-201 study in patients with R/R ENKTL were published in a top-tier oncology journal – *Journal of Clinical Oncology*.
  - In December 2023, we reached an agreement with the U.S. FDA in a Type B consultation regarding the registration pathway for R/R ENKTL indication.

- **Nofazinlimab** (CS1003, PD-1 antibody)
  - In March 2024, we completed a prespecified interim analysis for the global phase III trial of nofazinlimab in combination with LENVIMA® (lenvatinib) for the first-line treatment of patients with unresectable or metastatic HCC; no new or unexpected safety signals were observed; independent Data Monitoring Committee ("**iDMC**") recommended a continued follow-up, without protocol modification, until the final assessment of OS.
  - In September 2023, we announced that the results of the FIH trial (CS1003-101) of nofazinlimab in patients with advanced solid tumors had been published in a highly-cited journal – *British Journal of Cancer*.

Business Highlights

- **Pralsetinib** (CS3009, RET inhibitor)
  - In January 2023, we received the NDA approval from the Taiwan Food and Drug Administration ("**TFDA**") for the treatment of patients with RET fusion-positive locally advanced or metastatic NSCLC, and advanced or metastatic RET-mutant MTC and RET fusion-positive TC.
  - In June 2023, we received the NDA approval from the NMPA for the first-line treatment of patients with RET fusion-positive locally advanced or metastatic NSCLC who have not been previously treated with systemic therapy.
  - In June 2023, we published updated results from the phase I/II ARROW trial in Chinese patients with RET fusion-positive NSCLC in *Cancer*.
- **Avapritinib** (CS3007, KIT/PDGFRA inhibitor)
  - In May 2023, our partner, Blueprint Medicines Corporation ("**Blueprint Medicines**"), received approval from the U.S. Food and Drug Administration ("**FDA**") for the treatment of adults with indolent systemic mastocytosis ("**ISM**") in the U.S..
  - In December 2023, our partner, Blueprint Medicines, received approval from the EMA for the treatment of adult patients with ISM with moderate to severe symptoms inadequately controlled on symptomatic treatment. To date, avapritinib is the first and only approved therapy for patients with ISM in Europe.
  - In June 2023, we presented new data of avapritinib in patients with advanced GIST at the ASCO Annual Meeting 2023.
  - In November 2023, we announced that a post hoc data analysis of the global Phase 1 NAVIGATOR and Phase 1/2 China bridging (CS3007-101) studies of avapritinib in advanced GIST were published in a reputable oncology journal – *Clinical Cancer Research*.
- **Ivosidenib** (CS3010, IDH1 inhibitor)
  - In December 2023, we received the acceptance from the NMPA to the supplemental submission for regular approval of ivosidenib as a treatment for R/R AML.
  - In May 2023, we reached alignment with CDE on the regulatory pathway toward regular approval of ivosidenib as a treatment for R/R AML.
  - In January 2023, we completed the China bridging study of ivosidenib in R/R AML patients.
- **Lorlatinib** (ALK/ROS-1 inhibitor)
  - We are conducting a pivotal study in patients with ROS1-positive advanced NSCLC who have been previously treated with crizotinib and platinum-based chemotherapy. In June 2023, we completed the patient enrollment for this study. In February 2024, the pivotal study met the primary endpoint, and we are in discussion with the CDE and Pfizer regarding the pre-NDA/NDA in mainland China for ROS1-positive advanced NSCLC in 2024.

III. Building out Research Pipeline Leveraging Multiple Sources of Innovation

Precision medicines and immuno-oncology ("**I/O**") combinations remain our strategic focus. ADCs which deliver cytotoxic agents to tumors with precision, and multi-specific biologics which can create new biology and combinations represent two near-term modalities for early development.

We have made significant progress in 2023 with several initiatives:

- **First/Best-in-Class ("FIC/BIC") ADCs:** Two FIC ADC programs are progressing toward PCC nomination. The first ADC project, CS5006, which targets a novel tumor-associated antigen expressed in multiple large tumor indications and identified using an in-house machine-learning bioinformatic algorithm, is expected to have the PCC nominee announced in the first half of 2024. In addition, the lead antibodies of the other FIC GPCR-x ADC, CS5005, have been selected. The conjugated lead molecules have demonstrated encouraging *in vitro* and *in vivo* efficacy. Investigational new drug applications ("**INDs**") with respect to these two FIC ADCs are expected to be filed in 2025. Moreover, CS5007, which is expected to be the BIC bispecific ADC together with its corresponding bispecific antibody CS2011, is progressing towards PCC nomination. CS5007 (CS2011) is targeting well validated targets with proven syngeneic effectiveness. The leading bispecific antibody candidate is expected to be nominated in the first half of 2024, and the PCC of this bispecific ADC is expected to be announced by the end of 2024.

- **I/O multi-specifics:** CS2009, which is a tri-specific molecule against PD-1, VEGFa and CTLA-4 target, is under cell line development, and the related IND is expected to be filed in 2024. This is a potential FIC next-generation I/O backbone that targets three critical immune-suppressive pathways in the tumor microenvironment and may deepen response of a PD-(L)1 based therapy in large tumor types including NSCLC and HCC.

- **Cell penetrating therapeutic platform:** Numerous well-known oncology targets are intracellular proteins deemed undruggable by current therapeutic approaches. We are developing a proprietary CPT platform against these otherwise intractable targets. Significant progress has been made in the development of this platform with broad therapeutic potential for oncology and beyond.

IV. Strategic Relationships Advance Commercialization Activities and Pipeline Development

We continue to grow and deepen relationships with key global strategic partners, including partners in China, to expand commercialization of our in-market and late-stage drugs, bolster our early-stage pipeline of potential FIC/BIC molecules, and access technologies that complement our research and development efforts.

We entered into a strategic collaboration for nofazinlimab in mainland China with 3SBio and granted 3SBio exclusive rights for the development, registration, manufacturing, and commercialization of nofazinlimab in mainland China in November 2023. This partnership will accelerate the CMC development and commercialization of nofazinlimab.

We entered into a commercial partnership with Allist in China for the promotion and marketing of pralsetinib in November 2023. This deal integrates pralsetinib into Allist's highly synergistic lung cancer franchise and enables pralsetinib to benefit from Allist's more mature commercial team and a significantly larger market coverage, while concurrently allowing CStone to reduce overhead and operating costs associated with pralsetinib commercialization thereby improving overall profitability.

We transferred the Greater China and Singapore rights to ivosidenib to the global license holder Servier for up to US$50 million including US$44 million upfront (transfer of ivosidenib business) in December 2023. This highly accretive transaction allowed CStone to recoup its initial investment on this asset and monetize future potential cash flow from the business.

Under our partnership with Jiangsu Hengrui Pharmaceuticals Co., Ltd. ("**Hengrui**") for anti-CTLA-4 mAb (CS1002), a phase Ib/II trial of CS1002 combination therapy for the treatment of advanced solid tumors including HCC and NSCLC is being conducted by Hengrui. Currently, the trial is recruiting patients smoothly. In January 2024, Hengrui received an IND approval from the NMPA for evaluating CS1002 (SHR-8068) in combination with adebrelimab and chemotherapy as the first-line treatment of patients with advanced or metastatic non-squamous NSCLC.

We regained rights for the development and commercialization of sugemalimab and nofazinlimab outside of Greater China, with the termination of the license agreement for sugemalimab and nofazinlimab between CStone and EQRx on May 9, 2023. The transition was completed in August 2023. Currently, we are leading the regulatory process for sugemalimab MAA reviews by the EMA and the U.K. MHRA. The termination of this License Agreement will not affect the upfront and milestone payments previously received from EQRx. We are currently exploring potential partnership opportunities for both sugemalimab and nofazinlimab outside of Greater China.

V. Other Business Updates

Manufacturing: We are also in the process of manufacturing localization for multiple imported products, which is expected to reduce costs and improve the long-term profitability of our products. Specifically, the application relating to manufacturing localization for avapritinib is under review by the CDE. At the same time, the application of manufacturing localization for pralsetinib, including manufacturing and clinical BE study, has been successfully completed and the application dossier have been accepted by CDE.

FUTURE AND OUTLOOK

Looking forward, we will continue to advance innovative pipeline and maximize commercial value of mature products.

A detailed breakdown of expected catalysts in the near term is set forth as below.

- Sugemalimab: opinion from the Committee for Medicinal Products for Human Use ("**CHMP**") to the MAA for the first-line treatment in stage IV NSCLC in the E.U. in the first half of 2024 and MAA approval in the second half of 2024; MAA approval for the first-line treatment in stage IV NSCLC in the U.K. in the second half of 2024; ex-China partnership exploration

- Lorlatinib: pre-NDA/NDA in mainland China for ROS1-positive advanced NSCLC in 2024

- Avapritinib: expect the abbreviated NDA ("**ANDA**") approval for manufacturing localization in the second half of 2024

- Nofazinlimab: final assessment of OS and ex-China partnership exploration in 2025
- CS5001: to disclose the latest clinical safety and efficacy data at international academic conferences (e.g. ASCO in the first half of 2024, and ESMO/ASH in the second half of 2024); initiate registrational study in 2024; expected to reach global business development ("**BD**") partnership in 2024 or 2025
- CS2009: submit clinical trial notification ("**CTN**") to Australian Human Research Ethics Committee ("**HREC**") by the end of 2024, and apply for China IND in the first quarter of 2025
- CS5006: nominate PCC in the first half of 2024, and expect to file IND in 2025
- CS5005: nominate PCC in 2024, and expect to file IND in 2025

Chairman's Statement

Dear Shareholders,

On behalf of our board, I am pleased to present the annual report of the Group for the year ended December 31, 2023.

2023 was a year of opportunities and challenges for CStone Pharmaceuticals. We have made plenty breakthrough progresses in commercial cooperation, product pipelines, and clinical development.

In 2023, we proactively built and expanded strategic collaborations with multiple companies, including reaching an exclusive agreement with Allist Pharmaceuticals to commercialize the RET inhibitor GAVRETO® (pralsetinib) in Mainland China and entering into a strategic collaboration and exclusive licensing agreement with 3SBio Inc for nofazinlimab (anti-PD-1 antibody) in Mainland China. In addition, we have made steady progress regarding manufacturing localization of AYVAKIT® (avapritinib) and GAVRETO® (pralsetinib) in China, expecting foreseeable cost reduction and increased supply flexibility which will enhance the impact and competitiveness of both products in Chinese market. Moving forward, we will continue to bring our own strengths into business, strategically prioritizing the research and development of innovative drugs to meet the unmet needs of patients and the market, therefore elevating the long-term value of the company.

From the aspect of CStone Pipeline 2.0, the blockbuster product CS5001 (ROR1 ADC) is making rapid progress in clinical stage. The dose escalation and expansion of its global multi-regional clinical trial is conducted simultaneously in the United States, Australia and China. Supported by current data, CS5001 exhibits manageable safety, excellent linker stability, and promising anti-tumor activity in various advanced, heavily pre-treated solid tumors and lymphomas; CS5001 has also become the first ROR1 ADC demonstrating clinical anti-tumor activity in solid tumors. We will present detailed clinical data of CS5001 at upcoming international academic conferences.

In addition, our early-stage pipeline has been strengthened by multiple in-house developed ADCs and multi-specific antibodies with novel targets and first-in-class potential. CS2009, a tri-specific antibody targeting PD-1, CTLA-4, and VEGFa, is expected to be IND ready by the end of 2024. Two other innovative ADCs are also proceeding towards preclinical candidate nomination within this year.

We have achieved tremendous success in clinical development and registration. Recently, the fifth indication of sugemalimab (anti-PD-L1) in combination with chemotherapy as a first-line treatment for gastric/gastroesophageal junction adenocarcinoma has been approved by the NMPA of China, which represents the world's first anti-PD-L1 therapy approved for this indication. Additionally, two MAAs of sugemalimab are currently under review by the health authorities in UK and EU and proceeding smoothly. CStone has already completed the GCP inspection conducted by the EMA in early 2024. We expect to receive approvals of both applications in the second half of 2024, marking a significant step for CStone to enter the global market.

Looking ahead, CStone will steadfastly adhere to a R&D strategy guided by clinical value, enriching our pipeline and accelerating R&D through innovative channels. We will also continuously deepen strategic collaborations to promote company commercialization and product pipeline. We look forward to entering the international markets, bringing more innovative medicines to patients worldwide, and continually creating greater long-term value for our partners and investors.

Last but not least, we would like to extend our heartfelt thanks and infinite respect to our clinical trial participants and investigators, patients and physicians, employees and shareholders. Their trust in CStone is the driving force for our continuous innovation every day.

Dr. Wei Li
Chairman and Non-executive Director

Suzhou, PRC, March 27, 2024

OUR VISION

Our vision is to become a world-renowned biopharmaceutical company leading the way to conquering cancer.

OVERVIEW

CStone is a biopharmaceutical company focused on researching, developing, and commercializing innovative immuno-oncology and precision medicines to address the unmet medical needs of cancer patients in China and worldwide. Established in 2015, CStone has assembled a management team with extensive experience in innovative drug development, clinical research, and commercialization. The Company has built an oncology-focused pipeline of 12 drug candidates with a strategic emphasis on precision medicines and immuno-oncology combination therapies. Since inception, CStone has obtained 14 NDA approvals for various drugs (including ivosidenib). For details of any of the foregoing, please refer to the rest of this annual report and, where applicable, the prospectus of the Company and prior annual reports published on the websites of the Stock Exchange and the Company.

Product Pipeline

Drug candidate	Rights	Indication	Pre-clinical	FIH	POC	Pivotal	NDA	Marketed	Approval CN	Approval TW	Approval HK	Approval US	Partner
Pipeline 2.0													
CS5001[2] (ROR1 ADC)		Solid tumors hematologic malignancies											LCB
CS2009 (PD1/CTLA-4/VEGFa)		Solid tumors											
CS5005 (GPCR-x ADC)		Solid tumors											
CS5006 (Undisclosed ADC)		Solid tumors											
CS5007 (Bi-specific ADC)		Solid tumors											
CS2011 (Bi-specific antibody)		Solid tumors											
Commercial / late-stage programs													
Pralsetinib (RET)		2L NSCLC							✓	✓	✓	✓	blueprint
		1L NSCLC							✓	✓	✓	✓	
		1L MTC / TC							✓	✓		✓ (TC)	
		Multiple tumors											
Avapritinib (KIT/PDGFRA)		PDGFRA exon 18 GIST							✓	✓	✓	✓	blueprint
		SM[1]										✓	
Sugemalimab (PD-L1)		1L Stage IV NSCLC							✓				Pfizer Mainland China
		1L Stage IV NSCLC							*Under regulatory review in EU &UK*				
		Stage III NSCLC							✓				
		1L GC/GEJ							✓				
		1L ESCC							✓				
		R/R ENKTL							✓				
		R/R ENKTL											
CS1003 (PD-1)		1L HCC											三生制药 Mainland China
Lorlatinib (ROS1/ALK)		NSCLC							✓ (ALK)			✓ (ALK)	Pfizer[3]
CS1002 (CTLA-4)		Solid tumors											Greater China

Note: Assets status denotes progress in the region(s) noted in the column titled "Rights"; CN = Mainland China, TW = Taiwan, China, HK = Hong Kong SAR, China, US = United States, FIH = First in Human, POC = Proof of Concept, NSCLC = Non-small Cell Lung Cancer, MTC = Medullary Thyroid Cancer, TC = Thyroid Cancer, GIST = Gastrointestinal Stromal Tumor, SM = Systemic Mastocytosis, GC/GEJ = gastric adenocarcinoma/gastroesophageal junction adenocarcinoma, ESCC = Esophageal Squamous Cell Carcinoma, R/R = Relapsed or Refractory, NKTL = Natural KILLER/T Cell Lymphoma, HCC = Hepatocellular Carcinoma

1. POC was conducted in the U.S. and no clinical trials have been conducted in China; 2.CStone obtains the exclusive global right to lead development and commercialization of LCB71/CS5001 outside the Republic of Korea; 3. Co-development in Greater China

Greater China Global

Expedited registration

BUSINESS REVIEW

Commercial Operations

Marching into the fourth year since we launched our first product, we are committed to establishing leadership in precision medicine and to benefiting more patients.

Our partnerships with pharmaceutical and biotech companies are cornerstones of our near-term commercial plans as well as our global aspirations. Through our successful collaboration with Pfizer, we are demonstrating the merits of our unique clinical development capabilities, and our attractiveness to multinational players who may potentially partner with us. In order to further improve the commercialization efficiency, we have established commercial collaborations with multiple companies during the year to leverage their strengths while enabling CStone to strategically focus on research and development going forward.

Details on our commercial activities are set out below:

- ***GAVRETO® (pralsetinib)***

  – GAVRETO® (pralsetinib), a FIC RET inhibitor in China, has been approved by the NMPA for the first-line treatment of adults with locally advanced or metastatic RET fusion-positive NSCLC, the treatment of adults with locally advanced or metastatic RET fusion-positive NSCLC previously treated with platinum-based chemotherapy; and the treatment of patients with advanced or metastatic RET-mutant MTC and RET fusion-positive TC. In addition, this medicine has been approved by the Department of Health of the Government of Hong Kong ("**HK DoH**") for the treatment of patients with RET fusion-positive locally advanced or metastatic NSCLC and it has been approved by the TFDA for the treatment of adult patients with locally advanced or metastatic RET fusion-positive NSCLC, advanced or metastatic RET-mutant MTC, and RET fusion-positive TC.

  – In November 2023, we granted the exclusive commercial rights for GAVRETO® (pralsetinib), a RET inhibitor, to Allist in mainland China. This deal integrates GAVRETO® (pralsetinib) into Allist's highly synergistic lung cancer franchise and enables GAVRETO® (pralsetinib) to benefit from Allist's more mature commercial team and a significantly broader market coverage, while concurrently allowing CStone to reduce operating costs associated with GAVRETO® (pralsetinib) commercialization, thereby improving overall profitability.

  – GAVRETO® (pralsetinib) was included in 11 of China's national guidelines for testing and treatment in multiple therapeutic areas, such as NSCLC and TC. During the Reporting Period, GAVRETO® (pralsetinib) was recommended by the newly updated 2023 CSCO NSCLC Guidelines, which recommended RET mutation gene testing and GAVRETO® (pralsetinib) in the treatment of RET positive NSCLC patients.

  – We continued to improve the accessibility and affordability of GAVRETO® (pralsetinib). The PAP scheme for GAVRETO® (pralsetinib) was updated in May 2023 to support the long-term treatment of patients.

- ***AYVAKIT® (avapritinib)***

  – AYVAKIT® (avapritinib), a FIC KIT/PDGFRA inhibitor, has been approved by the NMPA for the treatment of adults with unresectable or metastatic GIST harboring a PDGFRA exon 18 mutation, including PDGFRA D842V mutations. AYVAKIT® (avapritinib) has also been approved by the TFDA and the HK DoH for the treatment of patients with unresectable or metastatic PDGFRA D842V mutant GIST.

  – We continued to improve the accessibility and affordability of AYVAKIT® (avapritinib). As of the date of this annual report, AYVAKIT® (avapritinib) has been added to the 2023 NRDL in China, for the treatment of adults with unresectable or metastatic GIST harboring the PDGFRA exon 18 mutation, including PDGFRA D842V mutations.

  – AYVAKIT® (avapritinib) is recommended by four authoritative guidelines. During the Reporting Period, AYVAKIT® (avapritinib) was recommended by the newly updated 2022 CSCO GIST guideline and the 2022 Chinese Guideline for Diagnosis and Treatment of Systemic Mastocytosis in Adults.

  – We initiated or supported investigators in post-approval clinical projects, such as IIT and RWS, to generate additional data in multiple cancer indications. For example, a multi-centered RWS evaluated the safety and efficacy of AYVAKIT® (avapritinib) in Chinese patients with GIST; another IIT aims to study the efficacy and safety profile of AYVAKIT® (avapritinib) for the treatment of R/R CBF-AML with KIT D816 or N822 mutations.

- ***TIBSOVO® (ivosidenib)***

  – TIBSOVO® (ivosidenib), a FIC IDH1 inhibitor, has been approved by the NMPA for the treatment of adult patients with R/R AML who have an IDH1 mutation.

  – In December 2023, we transferred the exclusive rights to develop, manufacture and commercialize TIBSOVO® (ivosidenib) in the Greater China region (including mainland China, Hong Kong, Macau and Taiwan) and Singapore to Servier and will receive up to US$50 million in exchange. The transaction will help to expand indication and improve accessibility of TIBSOVO® (ivosidenib) for patients in Greater China and Singapore while monetizing potential future cash flow for CStone and recouping historical investment on the asset.

  – TIBSOVO® (ivosidenib) is recommended by six authoritative guidelines, and it has become the first choice for treatment of AML with IDH1 mutation.

  – We adjusted the PAP scheme for TIBSOVO® (ivosidenib) to increase affordability and Duration of Therapy ("**DOT**").

- ***CEJEMLY® (sugemalimab)***

  – We continued to work closely with Pfizer to support the commercialization of CEJEMLY® (sugemalimab) in mainland China.

  – In 2023, CEJEMLY® (sugemalimab) as a treatment of stage III NSCLC has been upgraded to a Level 1 recommendation in the 2023 CSCO NSCLC guideline and the 2023 CSCO Immunotherapy guideline. In addition, CEJEMLY® (sugemalimab) as a treatment of stage III NSCLC has also been included in the 2023 Chinese Medical Association clinical practice guideline in China.

Clinical Development

As of the date of this annual report, we have made significant progress with respect to our product pipeline.

CS5001 (LCB71, ROR1 ADC)

- The global FIH study of this potential BIC ROR1 ADC has shown swift recruitment to the dose-escalation part in the U.S., Australia and China.

- On December 20, 2023, we reported preliminary findings from the early phase of the ongoing FIH study, at which time the safety evaluation of dose level 7 had been completed and efficacy evaluation was ongoing. CS5001 appears to be well tolerated and safe and has demonstrated promising anti-tumor activities in both solid tumor and lymphoma. CS5001 is so far the first ROR1 ADC which has reported clinical anti-tumor activity in solid tumor.

- As of the date of this annual report, we have escalated to dose level 9; no DLT was observed; and MTD has not been reached. In heavily pretreated patients with lymphoma or solid tumor who were enrolled regardless of ROR1 status, CS5001 has been well tolerated as the dose level increases; no grade 4-5 treatment-related adverse events were observed. The PK profile of CS5001 was as expected and indicated excellent stability of the ADC. Encouraging anti-tumor activities were observed starting from dose level 5, including partial and complete responses in both advanced solid tumor (e.g. lung cancer and pancreatic cancer) and lymphoma (e.g. Hodgkin lymphoma and DLBCL). We expect to determine the preliminary RP2D of CS5001 in the first half of 2024 and plan to initiate a registrational phase Ib/II trial by the end of 2024. With more data being accumulated during dose escalation, multiple presentations at international academic conferences are being planned for in 2024, including ASCO, ESMO, ASH, etc.

- CS5001 has many distinctive features, including proprietary site-specific conjugation, tumor-cleavable linker, and prodrug technology. CS5001 demonstrated a BIC potential in mantle cell lymphoma and triple negative breast cancer xenograft models compared to a benchmark ROR1 ADC with MMAE payload. In addition, CS5001 demonstrated a bystander effect in *in vitro* co-culture systems, suggesting that solid tumors with heterogeneous/low expression of ROR1 may also benefit. In March 2023, we presented the translational data of CS5001 in an oral session at the 13th World ADC London.

- In addition, we have identified a promising candidate ROR1 antibody clone for IHC to enable biomarker-driven patient selection based on tumor ROR1 expression, supporting precision medicine efforts in the future.

Sugemalimab (CS1001, PD-L1 antibody)

- Sugemalimab is a monoclonal antibody directed against PD-L1 that has been approved by the NMPA in China for stage IV NSCLC, stage III NSCLC, R/R ENKTL, ESCC and GC/GEJ indications. As a fully-human, full-length anti-PD-L1 monoclonal antibody, sugemalimab mirrors the natural G-type IgG4 human antibody, which may potentially reduce the risk of immunogenicity and toxicity in patients, a potential unique advantage and differentiation factor compared to similar drugs.

- **Stage IV NSCLC:**

  – For the markets outside of Greater China, the MAA for stage IV NSCLC indication is under review by the regulatory agencies in multiple countries and regions. In February 2023 and December 2022, the MAA filing for sugemalimab in combination with chemotherapy as the first-line treatment for patients with metastatic NSCLC was accepted by the EMA in the E.U. and the MHRA in the U.K., respectively. Currently, this indication is under review by both parties. In July 2023, we received the GCP inspection notification from the EMA for this indication in the E.U. In October 2023, we received the Day-80 RFI from MHRA which did not contain any unsolvable questions. In December 2023, we received the Day-180 LoOI from EMA which indicated that all questions had been properly addressed during previous rounds of communications. In February 2024, we completed GCP inspections from the EMA at two study centers and at CRO.

  – In June 2023, we announced that the results of OS interim analysis in the registrational GEMSTONE-302 study in patients with stage IV NSCLC had been published in a world-renowned oncology journal – *Nature Cancer*.

- **GC/GEJC:**

  – In March 2024, we received the NDA approval from the NMPA for the first-line treatment of patients with locally advanced or metastatic GC/GEJC (CPS≥5).

  – In February 2023, we received the NDA acceptance from the NMPA for the first-line treatment of patients with locally advanced or metastatic GC/GEJC (CPS≥5).

  – In October 2023, the results of the pre-specified PFS and OS final analyses in the GEMSTONE-303 study were accepted as a LBA and showcased in an oral session at the ESMO Congress 2023. Sugemalimab in combination with chemotherapy demonstrated statistically significant and clinically meaningful improvement in PFS and OS compared with placebo plus chemotherapy.

- **ESCC:**
  - In December 2023, we received the NDA approval from the NMPA for the first-line treatment of patients with unresectable locally advanced, recurrent, or metastatic ESCC.
  - In April 2023, we received the NDA acceptance from the NMPA for the first-line treatment of patients with unresectable locally advanced, recurrent, or metastatic ESCC.
  - In January 2023, we announced that the GEMSTONE-304 study for the first-line treatment of unresectable locally advanced, recurrent, or metastatic ESCC had met its primary endpoints. Sugemalimab in combination with chemotherapy demonstrated a statistically significant and clinically meaningful improvement in PFS and OS compared with placebo in combination with chemotherapy. We presented the detailed results at ESMO GI Congress in June 2023.
  - In February 2024, the results of the PFS final analysis and the OS interim analysis in the registrational GEMSTONE-304 study were published in a top-tier medical journal – *Nature Medicine*.
- **R/R ENKTL:**
  - In October 2023, we received the NDA approval from the NMPA for the treatment of the patients with R/R ENKTL as a monotherapy.
  - In March 2023, we announced that the results of the registrational GEMSTONE-201 study in patients with R/R ENKTL were published in a top-tier oncology journal – *Journal of Clinical Oncology*.
  - In December 2023, we reached an agreement with the U.S. FDA in a Type B consultation regarding the registration pathway for R/R ENKTL indication.

CAUTIONARY STATEMENT REQUIRED BY RULE 18A.05 OF THE LISTING RULES: WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET SUGEMALIMAB, OR ANY OF OUR PIPELINE PRODUCTS, SUCCESSFULLY.

Nofazinlimab (CS1003, PD-1 antibody)

- In March 2024, we completed a prespecified interim analysis for the global phase III trial of nofazinlimab in combination with LENVIMA® (lenvatinib) for the first-line treatment of patients with unresectable or metastatic HCC; no new or unexpected safety signals were observed; iDMC recommended a continued follow-up, without protocol modification, until the final assessment of OS.
- In September 2023, we announced that the result of the FIH trial (CS1003-101) of nofazinlimab in patients with advanced solid tumors had been published in a highly-cited journal – *British Journal of Cancer*.

Pralsetinib (CS3009, RET inhibitor)

- In January 2023, we received the NDA approval from the TFDA for the treatment of patients with RET fusion-positive locally advanced or metastatic NSCLC, and advanced or metastatic RET-mutant MTC and RET fusion-positive TC.

- In June 2023, we received the NDA approval from the NMPA for the first-line treatment of patients with RET fusion-positive locally advanced or metastatic NSCLC who have not been previously treated with systemic therapy.

- In June 2023, we published updated results from the phase I/II ARROW trial in Chinese patients with RET fusion-positive NSCLC in *Cancer*. The data showed durable and long-term clinical benefits of pralsetinib in both treatment-naïve and previously treated Chinese patients with advanced RET fusion-positive NSCLC, and a generally well-tolerated safety profile.

Avapritinib (CS3007, KIT/PDGFRA inhibitor)

- In May 2023, our partner, Blueprint Medicines, received approval from the U.S. FDA for the treatment of adults with ISM in the U.S..

- In December 2023, our partner, Blueprint Medicines, received approval from the EMA for the treatment of adult patients with ISM with moderate to severe symptoms inadequately controlled on symptomatic treatment. To date, avapritinib is the first and only approved therapy for patients with ISM in Europe.

- In June 2023, we presented new data of avapritinib in patients with advanced GIST at ASCO Annual Meeting 2023. These results showed robust antitumor activity of avapritinib in patients with KIT activation loop-positive, adenosine triphosphate ("**ATP**") binding pocket-negative GIST versus patients whose tumors harbored other KIT mutational profiles.

- In November 2023, we announced that a post hoc data analysis of the global Phase 1 NAVIGATOR and Phase 1/2 China bridging (CS3007-101) studies of avapritinib in advanced GIST were published in a reputable oncology journal – *Clinical Cancer Research*.

Ivosidenib (CS3010, IDH1 inhibitor)

- In December 2023, we received the acceptance from the NMPA to the supplemental submission for regular approval of ivosidenib as a treatment for R/R AML.

- In May 2023, we reached alignment with the CDE on the regulatory pathway toward regular approval of ivosidenib as a treatment for R/R AML.

- In January 2023, we completed the China bridging study of ivosidenib in R/R AML patients.

Lorlatinib (ALK/ROS-1 inhibitor)

- We are conducting a pivotal study in patients with ROS1-positive advanced NSCLC who have been previously treated with crizotinib and platinum-based chemotherapy. In May 2022, we enrolled the first patient in this study. This is the first pivotal trial of lorlatinib for the treatment of ROS1-positive NSCLC who have been previously treated with crizotinib and platinum-based chemotherapy in the world. In June 2023, we completed the patient recruitment for this study. In February 2024, the pivotal study met the primary endpoint, and we are in discussion with the CDE and Pfizer regarding the pre-NDA/NDA in mainland China for ROS1-positive advanced NSCLC in 2024.

Research

Precision medicines and immuno-oncology combinations remain our strategic focus. ADCs which deliver cytotoxic agents to tumors with precision, and multi-specific biologics which can create new biology and combinations represent two near-term modalities for early development.

We have made significant progress in 2023 with several initiatives:

- **FIC/BIC ADCs:** Two FIC ADC programs are progressing toward PCC nomination. The first ADC project, CS5006, which targets a novel tumor-associated antigen expressed in multiple large tumor indications and identified using an in-house machine-learning bioinformatic algorithm, is expected to have a PCC nominee announced in the first half of 2024. In addition, the lead antibodies of the other FIC GPCR-x ADC, CS5005, have been selected. The conjugated lead molecules have demonstrated encouraging *in vitro* and *in vivo* efficacy, and INDs relating to these two FIC ADCs are expected to be filed in 2025. Moreover, CS5007, which is expected to be the BIC bispecific ADC together with its corresponding bispecific antibody CS2011, is progressing towards PCC nomination. CS5007 (CS2011) is targeting well validated targets with proven syngeneic effectiveness. The leading bispecific antibody candidate is expected to be nominated in the first half of 2024, and the PCC of this bispecific ADC is expected to be announced by the end of 2024.

- **I/O multi-specifics:** CS2009, which is a tri-specific molecule against PD-1, VEGFa and CTLA-4 target, is under cell line development, and the related IND is expected to be filed in 2024. This is a potential FIC next-generation I/O backbone that targets three critical immune-suppressive pathways in the tumor microenvironment and may deepen response of a PD-(L)1 based therapy in large tumor types including NSCLC and HCC.

- **Cell penetrating therapeutic platform:** Numerous well-known oncology targets are intracellular proteins deemed undruggable by current therapeutic approaches. We are developing a proprietary CPT platform against these otherwise intractable targets. Significant progress has been made in the development of this platform with broad therapeutic potential for oncology and beyond.

Business Development and Strategic Partnerships

Our business development team plays a vital strategic role in the growth of our business. They will pursue partnerships to expand commercialization of our in-market and late-stage drugs, bolster our early-stage pipeline of potential FIC/BIC molecules, and access technologies that complement our research and development efforts. In addition, they are supporting the development of our existing strategic partnerships including Pfizer, Hengrui, 3SBio and Allist.

As of the date of this annual report, we have made significant progress with respect to our existing partnerships.

- ***3SBio***

  – In November 2023, we entered into a strategic partnership and exclusive licensing agreement with 3SBio for nofazinlimab in mainland China. 3SBio is a leading biopharmaceutical company in China with more than 40 products in market and also owns five production bases which are Good Manufacturing Practice ("**GMP**")-compliant. Under the terms of the agreement, CStone has received an upfront payment of RMB60 million and will be eligible to receive development and registration milestone payments reaching approximately RMB100 million, and additional payments for future sales-based milestones and tiered sales royalties. 3SBio has obtained the exclusive rights for the development, registration, manufacturing, and commercialization of nofazinlimab in mainland China. This partnership will combine the strengths of CStone and 3SBio in research and development, manufacturing, and commercialization, accelerating the CMC development and commercialization of nofazinlimab.

- ***Allist***

  – In November 2023, we entered into a commercial partnership with Allist, pursuant to which Allist has obtained the exclusive right to promote pralsetinib in mainland China, while CStone retains the rights in mainland China for research, development and registration. This deal integrates pralsetinib into Allist's highly synergistic lung cancer franchise and enables pralsetinib to benefit from Allist's more mature commercial team and a significantly broader market coverage, while concurrently allowing CStone to reduce overhead and operating costs associated with pralsetinib's commercialization, thereby improving overall profitability.

- ***Servier***

  – In December 2023, through the execution of an asset purchase agreement, we transferred the Greater China and Singapore rights to ivosidenib to the global license holder Servier for up to US$50 million including US$44 million upfront (transfer of ivosidenib business). This highly accretive transaction allowed CStone to recoup its initial investment on this asset and monetize future potential cash flow from the business. Simultaneously under a transition plan agreement, we are working with Servier to ensure an orderly transition of the ivosidenib business.

- ***Pfizer***

  – In December 2021, we received the first approval of sugemalimab for stage IV NSCLC including both squamous and non-squamous patients in China. CStone and Pfizer have worked closely together to successfully launch and commercialize sugemalimab by leveraging Pfizer's leading commercial infrastructure and deep expertise in China. In May 2022, we received the second indication approval of sugemalimab for the treatment of patients with unresectable stage III NSCLC in China. It is the world's first anti-PD-1/PD-L1 monoclonal antibody successfully approved as a consolidation therapy to improve PFS in patients with stage III NSCLC, after concurrent or sequential platinum-based chemoradiotherapy. In October 2023, we received the third indication approval of sugemalimab as a monotherapy for the treatment of patients with R/R ENKTL in China. In December 2023, we also received the fourth indication approval for sugemalimab as the first-line treatment of patients with unresectable locally advanced, recurrent, or metastatic ESCC in China.

  – In June 2021, CStone and Pfizer jointly announced that they had selected the first late-stage oncology asset for co-development under the strategic collaboration agreement formed in 2020. The two companies initiated a pivotal clinical trial of lorlatinib for ROS1-positive advanced NSCLC. This step marks another milestone for CStone and Pfizer in their growing strategic partnership, which includes joint efforts to selectively introduce oncology therapies into the Greater China region. Additionally, it bolsters CStone's growing pipeline. In May 2022, the first patient was enrolled in the pivotal study of lorlatinib as a monotherapy for the treatment of ROS1-positive advanced NSCLC under the joint efforts of CStone and Pfizer. In June 2023, we completed the patient enrolment for this study.

- ***Blueprint Medicines***

  – In 2022, we entered into a new partnership with Roche which became the global marketing authorization holder ("**MAH**") for pralsetinib. We acquired full manufacturing technology transfer rights to pralsetinib. Locally manufactured supply is expected to provide significant cost savings and improve CStone's overall profitability as a result. In the meantime, the global MAH will be responsible for the manufacturing and supply of pralsetinib for China before our successful technology transfer. In February 2023, Blueprint Medicines announced that they will regain global commercialization and development rights to pralsetinib from Roche, excluding Greater China. A transition agreement was completed in February 2024. In February 2024, Blueprint Medicines announced that they have identified an alternate partner for pralsetinib in the U.S.. CStone is currently working with all involved parties to take necessary steps to ensure continuity of supply of pralsetinib for patients in Greater China.

- ***Hengrui***

  – In November 2021, we established a strategic partnership with Hengrui by signing an exclusive licensing agreement on the Greater China rights to the anti-CTLA-4 mAb (CS1002). Under the terms of the agreement, CStone received an upfront payment and will be eligible for additional milestone payments up to US$200 million in addition to double-digit royalties. Hengrui obtained the exclusive rights for research, development, registration, manufacturing, and commercialization of CS1002 in Greater China. CStone retained the rights to develop and commercialize CS1002 outside of Greater China. In 2022, Hengrui received the IND clearance from NMPA for a phase Ib/II trial of CS1002 combination therapy for the treatment of advanced solid tumors and has initiated two studies in HCC and NSCLC respectively. In 2023, the trial is recruiting patients smoothly. In January 2024, Hengrui received an IND approval from the NMPA for evaluating CS1002 (SHR-8068) in combination with adebrelimab and chemotherapy as the first-line treatment of patients with advanced or metastatic non-squamous NSCLC.

- ***EQRx***

  – We regained rights for the development and commercialization of sugemalimab and nofazinlimab outside of Greater China, with the termination of the license agreement for sugemalimab and nofazinlimab between CStone and EQRx on May 9th, 2023. The transition was completed in August 2023. Currently, we are leading the regulatory process for sugemalimab MAA reviews by the EMA and the U.K. MHRA. The termination of this License Agreement will not affect the upfront and milestone payments previously received from EQRx. We are currently exploring potential partnership opportunities for both sugemalimab and nofazinlimab outside of Greater China.

- ***DotBio***

  – In 2023, we continued our productive collaboration with DotBio, a biotech company specializing in next generation antibody therapies. Several bi and tri-specific prototype molecules are under testing.

In addition to the above, we continue to engage potential partners for multiple partnership opportunities that will accelerate our value creation, including in-licensing, out-licensing and strategic partnerships.

The Impact of the Novel Coronavirus ("COVID-19")

For the year ended December 31, 2023 and as of the date of this annual report, the impact of COVID-19 on our commercial operations is minimal, except that the breakout of COVID in early 2023 has led to decline of outpatient and inpatient for oncology treatment in major hospitals nationwide. Our business has been recovering since January 2023.

FINANCIAL REVIEW

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

	For the year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Revenue	**463,842**	481,363
Cost of revenue	**(159,547)**	(202,985)
Gross profit	**304,295**	278,378
Other income	**50,608**	18,722
Other gains and losses	**199,544**	(776)
Research and development expenses	**(527,799)**	(614,162)
Selling and marketing expenses	**(199,349)**	(327,301)
Administrative expenses	**(182,714)**	(249,062)
Finance costs	**(11,819)**	(8,477)
Loss for the year	**(367,234)**	(902,678)
Other comprehensive (expense) income:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(770)**	405
Total comprehensive expense for the year	**(368,004)**	(902,273)
Non-IFRS measures:		
Adjusted loss for the year	**(330,241)**	(760,616)

Revenue. Our revenue was RMB463.8 million for the year ended December 31, 2023, composed of RMB336.7 million in sales of pharmaceutical products (avapritinib, pralsetinib and ivosidenib), RMB95.7 million in license fee income and RMB31.4 million in royalty income of sugemalimab, representing a year-on-year increase of RMB10.1 million, or 8.6%, in license fee and royalty income which largely offset a decrease in revenue from sales of pharmaceutical products, such that total revenue decreased by RMB17.5 million, or 3.6%, year on year.

Other Income. Our other income increased by RMB31.9 million from RMB18.7 million for the year ended December 31, 2022 to RMB50.6 million for the year ended December 31, 2023. This was primarily due to more bank and other interest income.

Other Gains and Losses. Our other gains and losses increased by RMB200.3 million from losses of RMB0.8 million for the year ended December 31, 2022 to gains of RMB199.5 million for the year ended December 31, 2023. This increase was primarily due to net gain of RMB179.5 million related to the transfer of license for the ivosidenib business in the year ended December 31, 2023.

Research and Development Expenses. Our research and development expenses decreased by RMB86.4 million from RMB614.2 million for the year ended December 31, 2022 to RMB527.8 million for the year ended December 31, 2023. This decrease was primarily attributable to (i) a decrease of RMB109.0 million in employee cost from RMB212.1 million for the year ended December 31, 2022 to RMB103.1 million for the year ended December 31, 2023; and (ii) a decrease of RMB14.8 million in milestone fee and third party contracting cost for different phases of our clinical trials from RMB376.5 million for the year ended December 31, 2022 to RMB361.7 million for the year ended December 31, 2023, which was partially offset by an increase of RMB37.6 million in depreciation and others.

	For the year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Milestone fee and third party contracting cost	**361,691**	376,524
Employee cost	**103,051**	212,108
Depreciation and others	**63,057**	25,530
Total	**527,799**	614,162

Administrative Expenses. Our administrative expenses decreased by RMB66.4 million from RMB249.1 million for the year ended December 31, 2022 to RMB182.7 million for the year ended December 31, 2023. This decrease was primarily attributable to a decrease of RMB50.1 million in employee cost from RMB161.5 million for the year ended December 31, 2022 to RMB111.4 million for the year ended December 31, 2023.

	For the year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Employee cost	**111,436**	161,451
Professional fees	**31,955**	42,394
Depreciation and amortization	**19,049**	21,367
Rental expenses	**3,513**	3,069
Others	**16,761**	20,781
Total	**182,714**	249,062

Selling and Marketing Expenses. Our selling and marketing expenses decreased by RMB128.0 million from RMB327.3 million for the year ended December 31, 2022 to RMB199.3 million for the year ended December 31, 2023. The decrease was primarily attributable to decrease in employee cost by RMB72.2 million and professional fees by RMB32.2 million.

	For the year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Employee cost	**123,098**	195,255
Professional fees	**16,353**	48,584
Others	**59,898**	83,462
Total	**199,349**	327,301

Finance Costs. The finance costs increased by RMB3.3 million from RMB8.5 million for the year ended December 31, 2022 to RMB11.8 million for the year ended December 31, 2023, primarily due to an increase in interest on bank borrowings.

Non-IFRS Measures

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

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

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

	For the year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Loss for the year	**(367,234)**	(902,678)
Added:		
Share-based payment expenses	**36,993**	142,062
Adjusted loss for the year	**(330,241)**	(760,616)

The table below sets forth a reconciliation of the research and development expenses to adjusted research and development expenses during the years indicated:

	For the year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Research and development expenses for the year	**(527,799)**	(614,162)
Added:		
Share-based payment expenses	**(6,911)**	55,015
Adjusted research and development expenses for the year	**(534,710)**	(559,147)

The table below sets forth a reconciliation of the administrative and selling and marketing expenses to adjusted administrative and selling and marketing expenses during the years indicated:

	For the year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Administrative and selling and marketing expenses for the year	**(382,063)**	(576,363)
Added:		
Share-based payment expenses	**43,904**	87,047
Adjusted administrative and selling and marketing expenses for the year	**(338,159)**	(489,316)

Employees and Remuneration Policies

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

Function	Number of employees	% of total number of employees
Research and Development	122	53.04
Sales, General and Administrative	108	46.96
Total	230	100.0

As of December 31, 2023, we had 142 employees in Shanghai, 31 employees in Beijing, 20 employees in Suzhou and 37 employees in other regions of the PRC and overseas. Our employees' remuneration comprises salaries, bonuses, employee provident fund, 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.

Liquidity and Financial Resources

The Group has always adopted a prudent treasury management policy. The Group has taken a multi-source approach to fund our operations and meet development demands for capital, including service and milestone and upfront payments from our collaboration partners, bank borrowings, investments from other third parties and proceeds from our listing on the Stock Exchange.

On February 26, 2019, 186,396,000 Shares of US$0.0001 each were issued at a price of HK$12.00 per Share in connection with the Company's IPO on the Stock Exchange. The proceeds of HK$146,294.76 representing the par value, were credited to the Company's share capital. The remaining proceeds of RMB2,090.16 million (before deduction of the expenses relating to the Company's IPO) were credited to the share premium account. The translation from US$ to HK$ is made at the exchange rate set forth in the H.10 weekly statistical release of the Federal Reserve System of the United States as of February 26, 2019.

On September 30, 2020 (before trading hours), the Company entered into the share subscription agreement with Pfizer, pursuant to which Pfizer has conditionally agreed to subscribe for an aggregate of 115,928,803 subscription shares at the subscription price of approximately HK$13.37 per Share. The gross proceeds from the allotment and issue of the subscription shares were approximately US$200.0 million (equivalent to approximately RMB1,355.9 million).

On February 15, 2023, the Company completed the placing of 84,800,000 placing shares by a placing agent to not less than six placees at the placing price of HK$4.633 per placing share, representing 6.61% of the issued share capital of the Company as enlarged by the allotment and issue of the placing shares immediately upon completion of the placing. The Company received net proceeds from the placing, after deducting the placing commission and other related expenses and professional fees, of approximately HK$389.07 million (equivalent to approximately RMB338.12 million).

At December 31, 2023, our cash and cash equivalents and time deposits were RMB1,026.7 million, as compared to RMB1,042.1 million as of December 31, 2022. The decrease was mainly due to the payment of research and development expenses. The cash and cash equivalents were mainly denominated in RMB and USD.

Gearing Ratio

Gearing ratio is calculated using total liabilities divided by total assets and multiplied by 100%. At December 31, 2023, our gearing ratio was 72.5% (December 31, 2022: 72.6%).

Charge on Assets

At December 31, 2023, the amount of assets pledged by the Group to certain banks to secure bank loan facilities granted to the Group was RMB101,936,000 (December 31, 2022: Nil).

OTHER FINANCIAL INFORMATION

Significant Investments, Material Acquisitions and Disposals

During the Reporting Period, we did not hold any significant investments and there had been no material acquisitions and disposals by the Group. As at the date of this report, we have no specific future plan for material investments or capital assets, as well as material acquisitions or disposals of subsidiaries, associates and joint ventures.

Foreign Exchange Risk

Our financial statements are expressed in RMB, but certain of our cash and cash equivalents, restricted bank deposits, time deposits, other receivables, financial assets measured at FVTPL and trade and other payables are denominated in foreign currencies, and are exposed to foreign currency risk. We currently do not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Bank Loans and Other Borrowings

As at December 31 2023, the Group's bank borrowings were all denominated in RMB. In 2020, the Group obtained two new bank loan facilities amounting to RMB175 million and RMB25 million, respectively, for the purpose of the construction of the facilities and working capital. In 2022, the Group obtained one new bank loan facility amounting to RMB100 million for the purpose of working capital. In 2023, the Group obtained three new bank loan facilities amounting to RMB100 million, RMB80 million and RMB50 million for the purpose of working capital. During the year ended December 31, 2023, the Group has drawn down RMB350,000,000 and repaid RMB268,749,000 of principal and interest in accordance with the payment schedules.

Contingent Liabilities

As of December 31, 2023, we did not have any material contingent liabilities (as of December 31, 2022: Nil).

Directors and Senior Management

DIRECTORS

Executive Director

Dr. Jianxin Yang (楊建新), M.D., Ph.D., aged 60, is our Chief Executive Officer, executive Director, president of research and development, chairman of the Strategy Committee and an authorized representative of the Company and was re-elected as an executive Director on June 21, 2023. Dr. Yang was our senior vice president and Chief Medical Officer from December 2016 to August 2022. Currently, he is responsible for the overall operation strategic planning and business operation of our Group. Dr. Yang also acts as a director in certain of our subsidiaries.

Dr. Yang has over 25 years of experience in biomedical research and clinical development of oncology drugs in the U.S. and China. Prior to joining us, he served as the Senior Vice President and Head of Clinical Development at BeiGene, Ltd. (NASDAQ: BGNE, HKSE: 6160, the Star Market of SHSE: 688235) from July 2014 to December 2016. He led BeiGene, Ltd.'s clinical team in clinical development of its oncology pipeline, and led the development and management of over ten clinical trials worldwide, including the first anti-PD-1 mAb originated in China, BTK inhibitors and PARP inhibitors.

Prior to joining BeiGene, Ltd., Dr. Yang served as a Medical Director at Covance Inc. from September 2011 to July 2014. He served as Senior Chief Scientist for tumor biomarkers in Pfizer Inc., and served as a Research Scientist in the cancer genomics division at Tularik Inc. (acquired by Amgen Inc. in 2004).

Throughout his career, Dr. Yang has made significant contributions to the successful development of several anticancer drugs. He is also the author of over 50 publications and the inventor of nine patents.

Dr. Yang received a bachelor's degree in medicine from Xianning Branch of Hubei Medical College (湖北醫學院咸寧分院), (currently known as Hubei Institute of Science and Technology (湖北科技學院)) in Hubei, China in July 1985 and a master's degree in pathophysiology from Nanjing Medical College (南京醫學院), (currently known as Nanjing Medical University (南京醫科大學)) in Nanjing, China in July 1989. He then received his Ph.D. training in molecular biology with Nobel Laureates Drs. Michael S. Brown and Joseph L. Goldstein at the University of Texas Southwestern Medical Center at Dallas, U.S. in June 1995. He conducted his postdoctoral training in chemical biology with Dr. Stuart L. Schreiber at Harvard University in the United States from 1995 to 1998.

Non-executive Directors

Dr. Wei Li (李偉), Ph.D. aged 52, is our Chairman of Board. He has been our Director since December 2015 and was re-designated as a non-executive Director on October 29, 2018, and was re-elected as a non-executive Director on June 21, 2023. Dr. Li took up the role of Chairman and the chairman of the Nomination Committee on May 31, 2022. Dr. Wei Li is also a member of the Compensation Committee. Dr. Li also acts as a director in certain of our subsidiaries.

Dr. Li has over 20 years of experience in the biotech industry. He serves as a partner of Creacion Ventures since April 2020 and the managing partner of 6 Dimensions Capital, L.P. since October 2017 and is a founding partner and the managing partner of WuXi Healthcare Ventures II, L.P. since July 2015. Dr. Li has been an executive director of Ocumension Therapeutics (歐康維視生物), a company listed on the Stock Exchange (stock code: 1477) since April 2018 and re-designated as a non-executive director since July 2021.

During his scientific research career, Dr. Li has first-authored numerous scientific publications in journals including Science, Proceedings of the National Academy of Sciences, and Journal of Biological Chemistry.

Dr. Li received a Ph.D. in chemistry from Harvard University in the United States in November 1998, and master's degree in business administration ("**MBA**") from the J. L. Kellogg School of Management at Northwestern University in the United States in June 2003. He graduated with a bachelor of science in chemical physics from the University of Science and Technology of China (中國科學技術大學) in Anhui, China in July 1993.

Mr. Kenneth Walton Hitchner III, aged 64, was appointed as our non-executive Director with effect from December 10, 2021 and was re-elected as a non-executive Director on June 30, 2022. Mr. Hitchner is a member of the Investment Committee.

Mr. Hitchner has more than 30 years of experience in corporate finance. He had served as the Chairman and Chief Executive Officer of The Goldman Sachs Group, Inc. in Asia Pacific Ex-Japan before his retirement in 2019. He was also a member of Goldman Sachs' Management Committee and co-chaired its Asia Pacific Management Committee.

Mr. Hitchner has served as an independent non-executive director of Provident Acquisition Corp., a company listed on NASDAQ (stock code: PAQC), from January 2021 to October 2022. He ceased to serve as a senior advisor to a leading global life sciences investor Valiance Asset Management in December 2022. During the period from 2013 to 2017, Mr. Hitchner had served as President of Goldman Sachs in Asia Pacific Ex-Japan. Prior to relocating to Hong Kong, he was global head of Goldman Sachs' Healthcare Banking Group and global co-head of its Technology, Media and Telecom Group. He was named managing director in 2000 and partner in 2002. He became head of the global medical device banking practice in 1998 and head of the global pharmaceutical banking practice in 2001. He began his career with Goldman Sachs' Corporate Finance Department in 1991.

Mr. Hitchner has been serving as an independent non-executive director of WuXi Biologics (Cayman) Inc., a company listed on the Main Board of the Stock Exchange (stock code: 2269), since June 2020. Mr. Hitchner has been serving as a director of the alternative investment management firm Elements Advisors SPV since May 2020. He has joined Global Advisory Board of the global early-stage venture capitalist Antler since January 2021. He has also been serving as a senior advisor of WuXi AppTec Co., Ltd.* (無錫藥明康德新藥開發股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603259) and the Main Board of the Stock Exchange (stock code: 2359) ("**WuXi AppTec**"), since February 2020. Mr. Hitchner has also been serving as the chairman of the board of HH&L Acquisition Co., a company listed on the New York Stock Exchange (stock code: HHLA), since February 11, 2021. Mr. Hitchner has also been serving as the chairman of the board of two UK private healthcare companies, Cydar Medical and Sphere Fluidics, since February 2023 and May 2023, respectively.

Mr. Hitchner obtained a bachelor's degree in arts from the University of Colorado in 1982 and a master's degree in MBA as a merit fellow from Columbia University Business School in 1992.

Mr. Xianghong Lin (林向紅), aged 53, was appointed as our non-executive Director with effect from November 30, 2020, and was re-elected as a non-executive Director on June 21, 2023.

Mr. Lin has been the chairman of the board of directors and a member of the investment committee of Suzhou Equity Investment Fund Management Co. Ltd. (蘇州股權投資基金管理有限公司) since December 2017; the chairman of the board of directors and a member of the investment committee of Kaiyuan Guochuang Capital Management Co., Ltd. (開元國創資本管理有限公司) since March 2017; and the chief executive officer of Suzhou Private Capital Investment Holdings Co., Ltd. (蘇州民營資本投資控股有限公司) since April 2016. Mr. Lin was the president of Suzhou Oriza Holdings Corporation (蘇州元禾控股股份有限公司) from October 2015 to March 2016 and the chairman of the board of directors and the president of Suzhou Oriza Holdings Ltd. (蘇州元禾控股有限公司) from September 2007 to October 2015. Prior to that, he served as the chairman of the board of directors and the president of China-Singapore Suzhou Industrial Park Ventures Co., Ltd. (中新蘇州工業園區創業投資有限公司) from November 2001 to September 2007. From April 2000 to November 2001, he served as various positions of China-Singapore Suzhou Industrial Park Development Co., Ltd. (中新蘇州工業園區開發有限公司), including the deputy general manager of the finance department and the general manager of the investment department.

Mr. Lin has been a non-executive director of Lepu Biopharm Co., Ltd., a company listed on the Stock Exchange (stock code: 2157) since April 2020. Mr. Lin has been a member of the venture capital fund professional committee of Asset Management Association of China (中國證券投資基金業協會創業投資基金專業委員會) since June 2015, a member of the first session of Science and Technology Innovation Advisory Committee (科技創新諮詢委員會) of the Shanghai Stock Exchange since April 2019, a member of the investment decision committee of the China Integrated Circuit Industry Investment Fund (國家集成電路產業投資基金) since 2014, and a director of the Xi'an Jiaotong University Education Foundation (西安交通大學教育基金會) since 2011.

Mr. Lin obtained bachelor's degree in auditing from the Xi'an Jiaotong University in July 1992, a master degree in agricultural economic management from the University of Suzhou in June 1999 and a doctorate degree in management science and engineering from Xi'an Jiaotong University in June 2009.

Mr. Edward Hu (胡正國), aged 61, was appointed as our non-executive Director on July 9, 2021 and was re-elected as a non-executive Director on June 30, 2022. He is a member of the Strategy Committee and the chairman of the Investment Committee.

Mr. Hu is the vice chairman, the global chief investment officer and an executive director of WuXi AppTec. Mr. Hu is primarily responsible for the overall business and management of WuXi AppTec. Mr. Hu joined WuXi AppTec in August 2007 and was appointed as an executive director in March 2017. Mr. Hu served as a co-chief executive officer of WuXi AppTec from August 2018 to May 2020. He served as the chief financial officer from March 2016 to January 2019. He was appointed as a non-executive director by CANbridge Pharmaceuticals Inc., a company listed on the Main Board of the Stock Exchange (stock code: 1228) on July 5, 2022.

- From July 2022 to February 2023, he served as a director of Ambrx Biopharma Inc., a company listed on NASDAQ (stock code: AMAM).

- From February 2014 to June 2021, he served as a non-executive director of WuXi Biologics (Cayman) Inc., a company listed on the Main Board of the Stock Exchange (stock code: 2269) and was primarily responsible for providing guidance on the business strategy and financial management.

- From May 2018 to March 2021, he served as a director of Viela Bio Inc., a company listed on NASDAQ (stock code: VIE) in October 2019.

- From August 2007 to December 2015, he served as the chief financial officer and chief operating officer of WuXi PharmaTech (Cayman) Inc., a company previously listed on the New York Stock Exchange and was responsible for the financial and operational management.

- From October 2000 to July 2007, he served on various roles to become a senior vice president and chief operating officer of Tanox Inc., a biopharmaceutical company previously listed on NASDAQ (stock code: TNOX, acquired by Genentech Inc. in August 2007) and primarily engaged in discovering and developing antibody therapeutic drugs, and was responsible for company operations, quality control, finance and information technology.

- From April 1998 to October 2000, he served as a business planning manager of Biogen Inc., a global biotechnology company listed on NASDAQ (stock code: BIIB) and primarily engaged in developing, marketing and sales of biopharmaceuticals for neurologic and immune diseases, and was responsible for business planning and budget management of its research and development division.

- From May 1996 to December 1998, he served as a senior financial analyst of Merck, and was responsible for financial planning and analysis.

Mr. Hu obtained a bachelor's degree in physics from Hangzhou University, currently known as Zhejiang University (浙江大學) in the PRC in July 1983. He also obtained a master's degree in chemistry and a master's degree of business administration from Carnegie Mellon University in the United States in May 1993 and May 1996, respectively.

Independent Non-executive Directors

Dr. Paul Herbert Chew, M.D., aged 72, has been an INED since February 14, 2019, and was re-elected as an INED on June 21, 2023. Dr. Chew is a member of the Audit Committee, the Compensation Committee, the Nomination Committee and the Strategy Committee.

Dr. Chew is currently the adviser chief medical officer and he is on the board of directors for Phesi, an innovative firm that optimizes clinical trial design with novel technology. Dr. Chew is also the adviser chief medical officer for CorMedix, Inc, utilizing a taurolidine-based platform to prevent infection in highrisk patients. Dr. Chew serves on the advisory boards at the Center for Public Health, George Washington School of Public Health as well as ArisGlobal, a leading life sciences software provider that speeds drug development. He has served as a member of the board of trustees for the U.S. Pharmacopeia that sets quality standards for U.S. drugs, foods and dietary supplements, enforced by the U.S. FDA but whose standards are also followed by more than 140 countries.

From 2013 to 2016, Dr. Chew served as the global chief medical officer for Sanofi, overseeing medical affairs, regulatory affairs, drug safety, and pharmaco-economics. From 2016 to 2018, Dr. Chew has also been the chief medical officer for Omada Health, a premier Bay area company in digital therapeutics for the management of chronic disease. Dr. Chew has been on the board of external advisors for the University of North Carolina School of Public Health. He has served as a member of the Institute of Medicine Value & Science-Driven Healthcare Roundtable. He is board certified in Internal Medicine and Cardiovascular Disease. Dr. Chew was also a member of the Cardiology and Radiology faculty at the Johns Hopkins Hospital and he holds a doctor of medicine and a bachelor of arts degree from the Johns Hopkins University School of Medicine in the United States.

Mr. Ting Yuk Anthony Wu (胡定旭), GBS, JP, aged 69, has been an INED since February 14, 2019, and was re-elected as an INED on June 30, 2022. Mr. Wu is the chairman of the Compensation Committee and a member of the Audit Committee and the Nomination Committee.

Mr. Wu has been appointed as an independent non-executive director of Hui Xian Real Estate Investment Trust (匯賢產業信託) (stock code: 87001) since November 2022. Since March 2019, Mr. Wu has been the chairman and a non-executive director of Clarity Medical Group Holding Limited (清晰醫療集團控股有限公司), a company listed on the Stock Exchange (stock code: 1406) on February 18, 2022. Mr. Wu has been an independent non-executive director of Sing Tao News Corporation Limited (星島新聞集團有限公司), a company listed on the Stock Exchange (stock code: 1105) since June 2021. He has been an independent non-executive director of China Resources Medical Holdings Company Limited (華潤醫療控股有限公司), a company listed on the Stock Exchange (stock code: 1515) since August 2018 and chairman of the board of directors from August 2018 to April 2021. He has been an independent non-executive director of Power Assets Holdings Limited (電能實業有限公司), a company listed on the Stock Exchange (stock code: 0006) since June 2014. He has been an independent non-executive director of China Taiping Insurance Holdings Company Limited (中國太平保險控股有限公司), a company listed on the Stock Exchange (stock code: 0966) from August 2013. He has been an independent non-executive director and chairman of the board of Venus Medtech (Hangzhou) Inc. (杭州啟明醫療器械股份有限公司), a company listed on the Stock Exchange (stock code: 2500) since July 2019 and December 2023, respectively. He has been an independent non-executive director of Ocumension Therapeutics (歐康維視生物), a company listed on the Stock Exchange (stock code: 1477) since June 2020.

Between March 2015 and August 2018, Mr. Wu was the chairman and an executive director at Sincere Watch (Hong Kong) Limited, a company listed on the Stock Exchange (stock code: 0444), where he also acted as deputy chairman from October 2016 to August 2018. Between July 2011 and September 2014, he served as a director of Fidelity Funds. He served as an independent non-executive director of Agricultural Bank of China Limited (中國農業銀行股份有限公司), a company listed on the Stock Exchange (stock code: 1288), and Guangdong Investment Ltd. (粵海投資有限公司), a company listed on the Stock Exchange (stock code: 0270), from January 2009 to June 2015 and from August 2012 to June 2022, respectively. Mr. Wu joined the Hong Kong Hospital Authority (醫院管理局) in 1999 and was formerly its chairman from 2004 to 2013. Between 2010 and 2012, he was and the chairman of the Chamber Council and is now a member of the consultation committee of the Hong Kong General Chamber of Commerce. He was a partner of Ernst & Young from July 1985 to December 2005 and served as chairman of Ernst & Young Far East and China Practice from January 2000 to December 2005.

Mr. Wu was admitted as a member of the Institute of Chartered Accountants in England and Wales in November 1979 and became a fellow in October 1990. He was also admitted as a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

Mr. Wu was appointed by the Government of Hong Kong as Justice of the Peace and awarded Gold Bauhinia Star in 2004 and 2008, respectively. Mr. Wu finished a Foundation Course in Accountancy in Teesside Polytechnic in the United Kingdom in July 1975. Mr. Wu has also served in different capacities in the following organizations:

- as the honorary chairman of The Institute of Certified Management Accountants (Australia) Hong Kong Branch since January 2016
- as a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development from March 2018 to June 2022
- as a member of the 12th and 13th Standing Committee of the Chinese People's Political Consultative Conference National Committee
- as an expert advisor of the 2nd Chinese Medicine Reform and Development Advisory Committee of the State Administration of Traditional Chinese Medicine (國家中醫藥管理局第二屆中醫藥改革發展專家諮詢委員會) since December 2017

Mr. Hongbin Sun (孫洪斌), aged 48, has been an INED since February 14, 2019, and was re-elected as an INED on June 21, 2023. Mr. Sun is the chairman of the Audit Committee and a member of the Nomination Committee and the Investment Committee.

Mr. Sun has over 20 years of finance experience. He has been an independent non-executive director of New Century Healthcare Holding Co., Limited (新世紀醫療控股有限公司), a company listed on the Stock Exchange (stock code: 1518), since December 2016. He has been as an independent non-executive director of Mobvista Inc. (匯量科技有限公司), a company listed on the Stock Exchange (stock code: 1860) since July 2020. He has been an independent non-executive director of Abbisko Cayman Limited (和譽開曼有限責任公司), a company listed on the Stock Exchange (stock code: 2256), since September 2021. He has been the chief financial officer of MicroPort Scientific Corporation (微創醫療科學有限公司), a company listed on the Stock Exchange (stock code: 0853), since September 2010 and served as its executive director from July 2010 to September 2012. Mr. Sun was appointed as a director of Shanghai MicroPort MedBot (Group) Co., Ltd. (上海微創醫療機器人(集團)股份有限公司), a company listed on the Stock Exchange (stock code: 2252, "**MedBot**") in April 2020, and re-designated as a non-executive director from June 2021. He has also served as chairman of the board of MedBot. He was the deputy financial director of Otsuka (China) Investment Co., Ltd. (大冢(中國)投資有限公司) from January 2004 to December 2005 and then worked as its general manager from January 2006 to August 2010. From August 1998 to January 2004, he was an assistant manager in the audit department of KPMG Huazhen (畢馬威華振會計師事務所) in Shanghai.

Mr. Sun has been a member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) since December 2009 and also a chartered financial analyst in September 2009.

He received his bachelor's degree in accounting from Shanghai Jiao Tong University (上海交通大學) in China in July 1998.

SENIOR MANAGEMENT

Dr. Jianxin Yang (楊建新), M.D., Ph.D., aged 60, has been our CEO and president of research and development since August 25, 2022 and March 27, 2024, respectively. For further details, please refer to "Directors – Executive Director" in this section.

Mr. Michael J. Choi, MBA, aged 49, joined our Company in May 2021 and he has been our Chief Business and Strategy Officer since September 2022. In this role, he is responsible for business development, alliance management and corporate strategy.

Mr. Choi is an accomplished business executive with over 25 years of experience in the life science industry. Prior to joining us Mr. Choi was VP, Head of Business Development at Sun Pharma Advanced Research Corporation (SPARC) from September 2019 to April 2021. In this role, he led business development, commercial strategy and investor relations and oversaw the strategy and operations of SPARC as a member of the Executive Leadership Team. From March 2011 to July 2019, Mr. Choi served at Pfizer, Inc. in various business development roles including most recently as Business Alliance Lead for China, Japan, Asia Pacific, Latin-America and Canada at Pfizer Essential Health. While at Pfizer, Mr. Choi completed over 40 transactions across 6 continents. From April 2009 to March 2011, Mr. Choi served as the Strategy Leader for the Molecular and Cell Biology business unit at Life Technologies (now Thermo Fisher). Mr. Choi started his career as a Research Associate at the Columbia University College of Physicians and Surgeons before starting his business career as a strategy focused Management Consultant at various firms such as PricewaterhouseCoopers – Management Consulting Services, Envision Consulting Group (now IQVIA), and Frankel Group (now Oliver Wyman).

Mr. Choi obtained his MBA in Finance and Economics from Columbia Business School in New York City in May 2004 and Bachelor of Arts in History with a pre-medical concentration from Columbia College in New York City in May 1996.

Dr. Qingmei Shi (史青梅), M.D., Ph.D., aged 48, joined our Company in May 2019, and currently is our senior vice president and Chief Medical Officer. In her current role, Dr. Shi oversees the clinical development of our assets from IND until NDA approval. Additionally, she leads the medical/science, pharmacovigilance, regulatory affairs, quality assurance and biometrics functions to support progression of clinical development. Prior to this role, Dr. Shi was our head of clinical development and mainly responsible for the clinical development of our late-stage assets. Dr. Shi also acts as a director in one of our subsidiary.

With over 20 years of experience in clinic and the pharmaceutical industry, Dr. Shi brings extensive expertise in oncology and hematology therapeutic areas. Prior to joining our company, she served as a senior medical director at Covance Pharmaceutical Research and Development (Shanghai) Co., Ltd. from 2018 to 2019, where she was the lead physician in charge of multiple global and regional oncology and haematology studies.

From January 2007 to January 2018, Dr. Shi worked as a medical director at the Singapore and China offices of PAREXEL International China Pte. Ltd., where she led the Asia Pacific medical and pharmacovigilance functions and supported drug development for both global and China-pharmaceutical companies.

Dr. Shi obtained a Ph.D. in microbiology from the National University of Singapore in 2006. She obtained her medical doctor degree and a master of science in otolaryngology from Shan Dong Medical University in 1998 and 2001, respectively.

Dr. Yujuan La (喇玉娟), Ph.D., aged 46, joined us in May 2021 and is our senior vice president of Product Development. In her role, she has overall responsibilities for supervising IND applications, overseeing technology transfer and business collaborations, leading chemistry, manufacturing, and controls (CMC) development projects covering the entire life cycle of product development, including upstream and downstream process development, analytical method development and validation, manufacturing scaling-up, clinical sample production and quality assurance management.

Dr. La has 18 years of extensive experience in the biopharmaceutical field, specializing in the research and development, production, quality management, and project management of therapeutic antibody drugs. She successfully advanced multiple IND applications, technology transfers and business collaborations and led various CMC development projects. Prior to joining us, Dr. La worked at Startup Biotech Co., Ltd. as an executive director of preclinical development from September 2020 to April 2021, where she was mainly responsible for handling bispecific antibody drug related research and development, CMC project management and formulating portfolio strategy. Dr. La worked at CRO/CDMO Biopharm Co., Ltd. from October 2018 to August 2020 and her last position held was the vice president and senior director. She was mainly responsible for leading CMC projects (including maintaining service delivery), providing business development and sales support, and planning on marketing and resources strategies. From June 2008 to October 2018, Dr. La worked at Biopharmaceutical Co., Ltd. and she served successively as the Senior Director of Process Development and Quality Assurance Management. She was responsible for (i) establishing the process development team and platform, including product process development and manufacturing, process optimization and scale-up; (ii) building the quality system; and (iii) establishing a continuous improvement quality assurance system to ensure that the quality of drugs from research and development to clinical trials meets the corresponding quality specification. From June 2006 to May 2008, Dr. La was a research associate at the Bio-X Centre of the Shanghai Jiaotong University, where she was responsible for research and teaching.

Dr. La obtained a Ph.D. in biochemistry and molecular biology from the Shanghai Jiao Tong University in 2006. She obtained her bachelor's degree in biology from the Inner Mongolia University in 2000.

Ms. Min Liao (廖敏), aged 41, joined us in September 2020 and is our associate vice president and head of commercial. In her role, she has overall responsibilities for commercial functions including sales, market access, channel management and supply chain management. She is overseeing the overall strategic planning and development of the commercial team, supporting business operations and driving sales growth, including formulating strategic plans, establishing and strengthening distributor networks, emphasizing performance management, and supervising implementation.

Ms. Liao has 18 years of experience working at large multinational pharmaceutical enterprises and hospitals, with rich practical experience in various fields including market access, hospital access, and pharmaceutical supply chain management. Prior to joining us, from July 2019 to August 2020, Ms. Liao worked at Allergan as a senior commercial manager. During that time, she was mainly responsible for leading overall strategy development of commercial team to support business, formulating strategic plan to strength distributors' network, and driving sales growth. From October 2016 to June 2019, Ms. Liao was the regional manager (Greater China) of Richard Wolf, where she was responsible for all respects of business in the Greater China, including setting budgets and targets, allocating resources, supervising execution of plans, developing and managing sales and marketing strategies and managing distributors' network. From August 2009 to September 2016, Ms. Liao worked at Abbott and her last position held was senior district sales manager. She was mainly responsible for overseeing sales team in Shanghai, Zhe Jiang and Jiangxi, managing distributors and sales channels, and nurturing business relationship with customers. Ms. Liao received the Best District Sales Manager Award and the Best Team Award in 2015 and 2016, respectively. From January 2008 to August 2009, Ms. Liao was the technical sales representative of Medtronic, where she was mainly responsible for managing key accounts. From May 2007 to January 2008, Ms. Liao was a product specialist at Mindray, where she was responsible for providing technical support and service.

Ms. Liao received her bachelor's degree in biomedical engineering from the Xi'an Jiaotong University in September 2005 and her master's degree in biomedical engineering from the Imperial College London in October 2006. Ms. Liao obtained a master's degree in executive MBA from the Shanghai University of Finance and Economics in June 2018.

Ms. Weicong Ni (倪維聰), aged 33, joined us in August 2018 and currently serves as Chief Financial Officer and one of our joint company secretaries. In her role, she has overall responsibilities for financial management and control, corporate finance, investor relations and board related matters. Prior to her current roles, Ms. Ni served various roles within the company including head of capital markets and chief of staff to CEO, reporting directly to our chief executive officer. Ms. Ni also acts as a director in one of our subsidiary.

Ms. Ni has more than 10 years of experience in capital markets and corporate financial management with exposure in both sell side and buy side in public and private markets. Prior to joining us, from July 2013 to May 2016, Ms. Ni worked at Deutsche Bank Hong Kong branch as an investment banker advising public and private companies in Asia on equity and debt financing, investments, and merger and acquisition, across a few industries from healthcare to internet and technology. Ms. Ni also gained experience as a public market investor in the United States in 2017.

Ms. Ni received her bachelor's degree in finance and economics from Hong Kong University of Science and Technology in 2013 and an MBA degree from Harvard Business School in 2018. Ms. Ni is a Chartered Financial Analyst.

Ms. Yinghua Zhang (張英華), aged 45, joined us in August 2016. She currently is our senior vice president and head of operations. In her role, she oversees the development and implementation of our talent management and strategic workforce planning. She also provides oversight for legal & compliance, government and administration affairs, and the project management office. Upon joining CStone, she worked as the role of HR and Administration Lead, establishing this department from the ground up and progressively extending her management responsibilities to encompass more enabling functions. Ms. Zhang also acts as a director in certain of our subsidiaries.

Ms. Zhang has more than 20 years' working experience in the life science industry. Prior to joining us, Ms. Zhang was the HR lead at Simcere-MSD (Shanghai) Pharmaceuticals Co., Ltd. She was actively involved in the initial planning and establishment of a joint venture company, and she was responsible for orchestrating the foundational organizational framework and overseeing personnel recruitment during the nascent stages of the company's inception. From December 2002 to August 2011, Ms. Zhang worked at the various subsidiaries of Simcere Pharmaceutical (a company listed on the Stock Exchange (stock code: 2096) and her last position was the HR head of the Shanghai subsidiary. From July 2000 to November 2002, she was the administration assistant at Jiangsu Scottwilson Engineering Consulting Co., Ltd.

Ms. Zhang obtained her master's degree in applied psychology from Nankai University and bachelor's degree in business management from Inner Mongolia University of Finance and Economics.

Other than the working relationships in the Company, there was no other relationship between any of the Directors or senior management of the Company in respect of finance, business and family or in other material aspects.

Report of the Directors

The Directors present their report and the Consolidated Financial Statements for the Reporting Period.

PRINCIPAL ACTIVITIES

During the Reporting Period, the principal activities of the Group included the developing and commercializing of innovative immuno-oncology and molecularly targeted drugs to address significant unmet medical needs in cancer treatment. There was no significant change in the nature of the Group's principal activities during the Reporting Period and up to the date of this report.

Particulars of the Company's principal subsidiaries as at December 31, 2023 are set out in Note 35 to the Consolidated Financial Statements

BUSINESS REVIEW

A fair review of the business of the Group, the outlook of future development of the business of the Group as well as a discussion and analysis of the Group's performance during the Reporting Period and the material factors underlying its financial performance and financial position as required by section 388(2) and Schedule 5 to the Companies Ordinance can be found in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this report. The financial risk management objectives and policies of the Group are set out in Note 33b to the Consolidated Financial Statements.

For further details, please refer to the section headed "Management Discussion and Analysis" of this report.

RESULTS AND DIVIDENDS

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

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to achieving environmental sustainability. The Group endeavours to comply with the relevant laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, waste reduction and energy saving. For instance, the in-house facilities of the Group operate in compliance with the relevant environmental rules and regulations. The Group reviews its environmental policies on a regular basis.

In accordance with Rule 13.91 and the Environmental, Social and Governance Reporting Guide contained in Appendix C2 to the Listing Rules, the Company's environmental, social and governance report will be published and made available on the websites of the Stock Exchange and the Company together with this report.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties that may cause the Group's financial conditions or results materially different from the expected or historical results can be categorised into the following areas: (i) risks relating to our financial position and need for additional capital; (ii) risks relating to our business, comprising (a) risks relating to clinical development of our drug candidates, (b) risks relating to extensive government regulation, (c) risks relating to commercialization of our drugs and drug candidates, (d) risks relating to our intellectual property rights and (e) risks relating to our reliance on third parties; (iii) risks relating to our operations; and (iv) risks relating to our doing business in China, as described below:

Risks Relating to Our Financial Position and Need for Additional Capital

- We have incurred significant net losses and net operating cash outflows since our inception, and we anticipate that we will continue to incur net losses and net operating cash outflows for the foreseeable future and may never become profitable.

- We have net operating cash outflow during the Reporting Period.

- We may need additional capital to meet our operating cash requirements, and financing may not be available on terms acceptable to us, or at all.

- We have a limited operating history, which may make it difficult to evaluate our current business and predict our future performance. The risks involved in our business may cause potential investors to lose substantially all of their investment in our business.

- We will need to obtain additional financing to fund our operations, and if we are unable to obtain such financing, we may be unable to complete the development and commercialization of our primary drug candidates.

- Raising additional capital may cause dilution to our Shareholders, restrict our operations or require us to relinquish rights to our technologies or drug candidates.

Risks Relating to Our Business

Risks Relating to Clinical Development of Our Drug Candidates

- We depend substantially on the success of our drug candidates, majority of which are in pre-clinical or clinical development. If we are unable to successfully complete clinical development, obtain regulatory approval and commercialize our drug candidates, or experience significant delays in doing so, our business will be materially harmed.

- If we encounter difficulties enrolling patients in our clinical trials, our clinical development activities could be delayed or otherwise adversely affected.

- Clinical drug development involves a lengthy and expensive process with an uncertain outcome, and results of earlier studies and trials may not be predictive of future trial results.

- If clinical trials of our drug candidates fail to demonstrate safety and efficacy to the satisfaction of regulatory authorities or do not otherwise produce positive results, we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of our drug candidates.

- Immuno-oncology therapies including PD-1/PD-L1 antibodies may cause undesirable side effects.

- We may not be successful in developing, enhancing or adapting to new technologies and methodologies.

Risks Relating to Extensive Government Regulation

- All material aspects of the research, development and commercialization of pharmaceutical products are heavily regulated. Any failure to comply with existing regulations and industry standards or any adverse actions by the drug approval authorities against us could negatively impact our reputation and our business, financial condition, results of operations and prospects.

- The regulatory approval processes of the National Medical Products Administration, U.S. FDA, European Medicines Agency and other comparable regulatory authorities are lengthy, time-consuming and inherently unpredictable. If we are ultimately unable to obtain regulatory approval for our drug candidates, our business will be substantially harmed.

- If we fail to comply with our obligations in the agreements under which we license intellectual property rights from third parties or otherwise experience disruptions to our business relationships with our licensors, we could be required to pay monetary damages or could lose license rights that are important to our business.

- Our failure to obtain or renew certain approvals, licenses, permits and certificates required for our business may materially and adversely affect our business, financial condition and results of operations.

- If we participate in compassionate use programs, current regulatory discrepancies among competent authorities of different countries may lead to increased risk of adverse drug reaction and serious adverse events being produced from the use of our products.

- Changes in government regulations or in practices relating to the pharmaceutical and biopharmaceutical industries, including healthcare reform in China, and compliance with new regulations may result in additional costs.

- Pilot Program in respect of Foreign Investment Risk Review Modernization Act of 2018 may restrict our ability to acquire technologies and assets in the United States that are material to our commercial success.

- The absence of data and market exclusivity for NMPA-approved pharmaceutical products could increase the risk of early generic competition with our products in China. There may be new laws and regulations promulgated by the PRC government, with respect to data and market exclusivity.

- Any of our future approved drug candidates will be subject to ongoing or additional regulatory obligations and continued regulatory review, which may result in significant additional expense and we may be subject to penalties if we fail to comply with regulatory requirements or experience unanticipated problems with our drug candidates.

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

- Even if we are able to commercialize any approved drug candidates, the drugs may become subject to national or other third-party reimbursement practices or unfavorable pricing regulations, which could harm our business.

- Adverse drug reactions and negative results from off-label use of our products could materially harm our business reputation, product brand name, financial condition and expose us to liability.

- The illegal and/or parallel imports and counterfeit pharmaceutical products may reduce demand for our future approved drug candidates and could have a negative impact on our reputation and business.

Risks Relating to Commercialization of Our Drugs and Drug Candidates

- If we are not able to obtain, or experience delays in obtaining, required regulatory approvals, we will not be able to commercialize our drug candidates, and our ability to generate revenue will be materially impaired.

- Our future approved drug candidates may fail to achieve the degree of market acceptance by physicians, patients, third-party payors and others in the medical community necessary for commercial success.

- If we are unable to develop marketing and sales capabilities or enter into agreements with third parties to market and sell our drug candidates, we may not be able to generate product sales revenue.

- We face substantial competition, which may result in others discovering, developing or commercializing competing drugs before or more successfully than we do.

- The market opportunities for our drugs and drug candidates may be limited to those patients who are ineligible for or have failed prior treatments and may be small.

- We may be subject, directly or indirectly, to applicable anti-kickback, false claims laws, physician payment transparency laws, fraud and abuse laws or similar healthcare and security laws and regulations in the United States and other jurisdictions, which could expose us to criminal sanctions, civil penalties, contractual damages, reputational harm and diminished profits and future earnings.

Risks Relating to Our Intellectual Property Rights

- If we are unable to obtain and maintain patent protection for our drug candidates through intellectual property rights, or if the scope of such intellectual property rights obtained is not sufficiently broad, third parties could develop and commercialize products and technologies similar or identical to ours and compete directly against us, and our ability to successfully commercialize any product or technology may be adversely affected.

- Our rights to develop and commercialize our drug candidates are subject, in part, to the terms and conditions of licenses granted to us by others.

- Our in-licensed patents and other intellectual property may be subject to further priority disputes or to inventorship disputes and similar proceedings. If we or our licensors are unsuccessful in any of these proceedings, we may be required to obtain licenses from third parties, which may not be available on commercially reasonable terms or at all, or to cease the development, manufacture, and commercialization of one or more of the drug candidates we may develop, which could have a material adverse impact on our business.

- We may not be able to protect our intellectual property rights throughout the world or prevent unfair competition by third parties.

- If we are sued for infringing, misappropriating, or otherwise violating intellectual property rights of third parties or engaging in unfair competition, such litigation could be costly and time-consuming and could prevent or delay us from developing or commercializing our drug candidates.

- Obtaining and maintaining our patent protection depends on compliance with various procedural, document submission, fee payment, and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.

- Changes in patent law could diminish the value of patents in general, thereby impairing our ability to protect our drug candidates.

- If we are unable to protect the confidentiality of our trade secrets, our business and competitive position would be harmed. We may be subject to claims that our employees, consultants, or advisors have wrongfully used or disclosed alleged trade secrets of their former employers or claims asserting ownership of what we regard as our own intellectual property.

- We may not be successful in obtaining or maintaining necessary rights for our development pipeline through acquisitions and in-licenses.

- Intellectual property rights do not necessarily address all potential threats.

Risks Relating to Our Reliance on Third Parties

- We rely on third parties to conduct our pre-clinical studies and clinical trials and we must work effectively with collaborators to develop our drug candidates. If these third parties do not successfully carry out their contractual duties or meet expected deadlines, we may not be able to obtain regulatory approval for or commercialize our drug candidates and our business could be substantially harmed.

- We may rely on third parties to manufacture or import our clinical and commercial drug supplies. Our business could be harmed if those third parties fail to provide us with sufficient quantities of product or fail to do so at acceptable quality levels or prices.

- We have entered into collaborations and may form or seek collaborations or strategic alliances or enter into additional licensing arrangements in the future, and we may not realize the benefits of such alliances or licensing arrangements.

- We may be restricted from transferring our scientific and clinical data abroad.

Risks Relating to Our Operations

- Our future success depends on our ability to retain key executives and to attract, train, retain and motivate qualified and highly skilled personnel.

- Our reputation is key to our business success. Negative publicity may adversely affect our reputation, business and growth prospect.

- We have significantly increased the size and capabilities of our organization, and we may experience difficulties in managing our growth.

- Our involvement in acquisitions or strategic partnerships may increase our capital requirements, dilute our Shareholders, cause us to incur debt or assume contingent liabilities, and subject us to other risks.

- If we fail to comply with applicable anti-bribery laws, our reputation may be harmed and we could be subject to penalties and significant expenses that have a material adverse effect on our business, financial condition and results of operations.

- If we fail to effectively manage our anticipated growth or execute on our growth strategies, our business, financial condition, results of operations and prospects could suffer.

- If we fail to comply with environmental, health and safety laws and regulations, we could become subject to fines or penalties or incur costs that could have a material adverse effect on the success of our business.

- Our facilities may be vulnerable to natural disasters or other unforeseen catastrophic events.

- Our internal computer systems, or those used by our CROs or partners or other contractors or consultants, may fail or suffer security breaches.

- In conducting drug discovery and development, we face potential liabilities, in particular, product liability claims or lawsuits could cause us to incur substantial liabilities.

- In addition to the risks of conducting business globally, we have entered into the licensing of commercialization rights or other forms of collaboration worldwide, which could potentially expose us to additional risks of conducting business in additional international markets.
- We may undertake acquisitions or joint ventures that may have a material adverse effect on our ability to manage our business and may not be successful.
- Increased labor costs could slow our growth and affect our profitability.
- Any future litigation, legal disputes, claims or administrative proceedings against us could be costly and time-consuming to defend.
- A significant portion of our assets is denominated in foreign currencies.
- Our other gains and losses include fair value changes for derivative financial liabilities, which are subject to uncertainties in accounting estimation.

Risks Relating to Our Doing Business in China

- The pharmaceutical industry in China is highly regulated and such regulations are subject to change which may affect approval and commercialization of our drug candidates.
- Changes in the political and economic policies of the PRC government may materially and adversely affect our business, financial condition and results of operations and may result in our inability to sustain our growth and expansion strategies.
- There are uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations.
- We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.
- Our dividend income from our PRC subsidiaries may be subject to a higher rate of withholding tax than that which we currently anticipate.
- Restrictions on currency exchange may limit our ability to utilize our revenue effectively.
- Our business benefits from certain discretionary financial incentives granted by local governments. Expiration of, or changes to, these incentives or policies would have an adverse effect on our results of operations.
- We are subject to PRC tax laws and regulations.
- It may be difficult to effect service of process upon us or our management that reside in China or to enforce against them or us in China any judgments obtained from foreign courts.

- Any failure by the Shareholders or beneficial owners of our Shares who are PRC residents to comply with certain PRC foreign exchange regulations relating to offshore investment activities by such PRC residents could restrict our ability to distribute profits, restrict our overseas and cross-border investment activities and subject us to liability under PRC laws.

- We face uncertainty relating to PRC laws and regulations relating to transfers by a nonresident enterprise of assets of a PRC resident enterprise.

- Under China's Enterprise Income Tax Law, we may be classified as a "resident enterprise" of China. This classification could result in unfavorable tax consequences to us and our non-PRC Shareholders.

- Government control of currency conversion of and regulations on loans to, and direct investment in, PRC entities by offshore holding companies may delay or prevent us from making loans or additional contributions to our PRC subsidiaries, which could restrict our ability to utilize the proceeds from the Global Offering effectively and affect our ability to fund and expand our business.

- The political relationships between China and other countries may affect our business operations.

DIRECTORS

The Directors during the Reporting Period are:

Executive Director

Dr. Jianxin Yang *(Chief Executive Officer and executive Director)*

Non-Executive Directors

Dr. Wei Li *(Chairman)*
Mr. Kenneth Walton Hitchner III
Mr. Yanling Cao *(Resigned on January 18, 2023)*
Mr. Xianghong Lin
Mr. Edward Hu

Independent Non-Executive Directors

Dr. Paul Herbert Chew
Mr. Ting Yuk Anthony Wu
Mr. Hongbin Sun

In accordance with article 16.19 of the Articles of Association, 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. Director appointed pursuant to Article 16.2 or Article 16.3 shall not be taken into account in determining which Directors are to retire by rotation. Accordingly, Mr. Kenneth Walton Hitchner III, Mr. Edward Hu and Mr. Ting Yuk Anthony Wu will retire from office by rotation at the forthcoming AGM and, being eligible, will offer themselves for re-election.

Mr. Yanling Cao resigned as a non-executive Director in January 2023 as he intended to focus and devote more time to his other work commitments. In accordance with the requirements of Rule 13.51(2) of the Listing Rules, Mr. Yanling Cao confirmed that he has no disagreement with the Board and there is no other matter relating to his resignation that need to be brought to the attention of the Shareholders.

DIRECTORS AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Company are set out in the section headed "Directors and Senior Management" of this report.

CHANGES IN INFORMATION OF DIRECTORS

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the INEDs an annual confirmation in writing of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that, during the Reporting Period and up to the date of this report, all of the INEDs are independent.

DIRECTORS' SERVICE CONTRACTS

For more information about the service contract entered into by the Company, please see the Corporate Governance Report in this report for further details.

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

Pursuant to Rule 3.25 of the Listing Rules and the CG Code as set out in Appendix C1 to the Listing Rules, the Company has established the Compensation Committee to formulate remuneration policies. The remuneration is determined and recommended based on the experience, qualification, position and seniority of each Director and senior management. As for the independent non-executive Directors, their remuneration is determined by the Board based on the recommendation from the Compensation Committee to ensure that INEDs are adequately compensated for their efforts and time dedicated to the Company's affairs, including their participation in Board committees. The remuneration for the executive Director mainly comprises basic salaries, pensions and discretionary bonuses. The remuneration for the non-executive Directors and INEDs mainly comprises Director's fee which is determined with reference to their duties and responsibilities by the Board. The Directors and the senior management are eligible participants of the applicable share incentive plans.

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 of this report.

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Directors' fees and other emoluments are supervised by the Compensation Committee and determined by the Board with reference to the Directors' duties, responsibilities and performance and the results of the Company as well as the prevailing market conditions. Details of the Directors' remuneration are set out in Note 10 to the Consolidated Financial Statements.

Details of the remuneration by band (including share-based payments) of senior management of the Company (except for details of the remuneration of Directors which are set out in Note 10 to the Consolidated Financial Statements), whose biographies are set out in the section headed "Directors and Senior Management – Senior Management" of this report, for the years ended December 31, 2023 and 2022 are set out below:

HKD	**2023 (members of senior management)**	2022 (members of senior management)
4,000,000 – 5,000,000	**1**	1
5,000,000 – 6,000,000	**2**	1
6,000,000 – 7,000,000	**–**	1
7,000,000 – 8,000,000	**1**	–
9,000,000 – 10,000,000	**1**	–
12,000,000 – 13,000,000	**–**	1
13,000,000 – 14,000,000	**–**	–
17,000,000 – 18,000,000	**–**	–
19,000,000 – 20,000,000	**–**	–
20,000,000 – 21,000,000	**1**	–
22,000,000 – 23,000,000	**–**	–
24,000,000 – 25,000,000	**–**	–
31,000,000 – 32,000,000	**–**	–
33,000,000 – 34,000,000	**–**	–
50,000,000 – 51,000,000	**–**	–
	6	4

Certain members of senior management and Directors were granted share options or restricted share units in respect of their services to the Group. Details of the share-based payment transactions are set out in Note 29 to the Consolidated Financial Statements.

PERMITTED INDEMNITY PROVISION AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Articles of Association provide that the Directors or other officers of the Company are entitled to be indemnified out of the assets of the Company against all losses and liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto, provided that such indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the Directors. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the Reporting Period and as at the date of this report of Directors. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Hong Kong Companies Ordinance when the Report of the Board of the Directors prepared by the Directors is approved in accordance with section 391(1)(a) of the Companies Ordinance.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No Director nor an entity connected with a Director had a material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Reporting Period.

MANAGEMENT CONTRACTS

No contract of significance concerning the management and administration of the whole or any substantial part of business of the Company or any of its subsidiaries was entered into or subsisted during the Reporting Period.

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this report and by way of public announcements from time to time, at no time during the Reporting Period was the Company or any of its subsidiaries, a party to any arrangement to enable a Director to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the Reporting Period and up to the date of this report, save as disclosed in this report, none of the Directors is considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules.

From time to time our non-executive Directors may serve on the boards of both private and public companies within the broader healthcare and biopharmaceutical industries. However, as these non-executive Directors are neither our controlling shareholders nor members of our executive management team, we believe their holding of offices in such companies would not compromise our ability to carry on our business independently from the other companies in which they may hold directorships from time to time.

DEED OF NON-COMPETITION

There is no non-competition undertaking during the Reporting Period between the Company and the largest shareholders of the Company, namely, WuXi Healthcare Ventures II, L.P. and WuXi Healthcare Management, LLC.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

Interests and short positions of our Directors in the share capital of the Company

As of December 31, 2023, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of the associated corporations of the Company (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, are as follows:

Long Position in the Shares of the Company

Name of Director or chief executive	Nature of interest	Number and class of securities	Approximate percentage of interest in our Company[1]
Dr. Jianxin Yang, CEO and executive Director[2]	Beneficial Owner	61,280,756 Shares[2]	4.77%
Mr. Kenneth Walton Hitchner III, non-executive Director	Beneficial Owner	393,981 Shares[3]	0.03%

Notes:

(1) The calculation is based on the total number of 1,284,163,999 Shares in issue as of December 31, 2023.

(2) Includes (1) 11,540,756 Shares beneficially held by Dr. Jianxin Yang; (2) Dr. Yang's entitlement to receive up to 3,000,000 Shares pursuant to the exercise of options granted to him under the Pre-IPO Incentivization Plan, subject to the vesting and other conditions of those options; (3) share options to subscribe for 46,340,000 Shares granted to him under the Post-IPO ESOP, subject to the vesting and other conditions of those options; and (4) Dr. Yang's entitlement to restricted share units equivalent to 400,000 Shares granted to him under the Post-IPO RSU Scheme, subject to vesting conditions.

(3) Includes (1) 361,990 Shares beneficially held by Mr. Hitchner; and (2) Mr. Hitchner's entitlement to restricted share units equivalent to 31,991 Shares granted to him under the Post-IPO RSU Scheme, subject to vesting conditions.

Save as disclosed above and to the best knowledge of the Directors, none of the Directors or the chief executive of the Company has or is deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations as of December 31, 2023.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO

As of December 31, 2023, the following are the persons, other than the Directors or the chief executive of the Company, who had interests or short positions in the Shares and underlying Shares as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Long Position in the Shares of the Company

Substantial Shareholder	Capacity/Nature of Interest	Total number of Shares/underlying Shares	Approximately percentage of interest in our Company[1]
WuXi Healthcare Ventures II, L.P.[2]	Beneficial interest	293,381,444	22.85%
WuXi Healthcare Management, LLC[2]	Interest in controlled corporation	293,381,444	22.85%
Graceful Beauty Limited[3]	Beneficial interest	142,560,448	11.10%
Boyu Capital Fund II, L.P.[3]	Interest in controlled corporation	142,560,448	11.10%
Boyu Capital General Partner II, L.P.[3]	Interest in controlled corporation	142,560,448	11.10%
Boyu Capital General Partner II, Ltd.[3]	Interest in controlled corporation	142,560,448	11.10%
Boyu Capital Holdings Limited[3]	Interest in controlled corporation	142,560,448	11.10%
Pfizer Corporation Hong Kong Limited[4]	Beneficial interest	115,928,803	9.03%
Pfizer Inc.[4]	Interest in controlled corporation	115,928,803	9.03%
Zhengze Yuanshi[5]	Beneficial interest	75,553,730	5.88%
Suzhou Industrial Park Zhengze Health Venture Capital Management Centre (Limited Partnership) (蘇州工業園區正則健康創業投資管理中心(有限合夥))[5]	Interest in controlled corporation	75,553,730	5.88%
Suzhou Industrial Park Oriza Yuandian Venture Capital Management Co., Ltd. (蘇州工業園區元禾原點創業投資管理有限公司)[5]	Interest in controlled corporation	75,553,730	5.88%
Suzhou Oriza Holdings Co., Ltd. (蘇州元禾控股股份有限公司)[5]	Interest in controlled corporation	75,553,730	5.88%
Suzhou Industrial Park Zhengze Jiming Equity Investment Management Co., Ltd. (蘇州工業園區正則既明股權投資管理有限公司)[5]	Interest in controlled corporation	75,553,730	5.88%
Suzhou Industrial Park Economic Development Co., Ltd. (蘇州工業園區經濟發展有限公司)[5]	Interest in controlled corporation	75,553,730	5.88%
Suzhou Industrial Park Administrative Committee (蘇州工業園區管委會)[5]	Interest in controlled corporation	75,553,730	5.88%
Fei Jianjiang (費建江)[5]	Interest in controlled corporation	75,553,730	5.88%

Notes:

(1) The calculation is based on the total number of 1,284,163,999 Shares in issue as of December 31, 2023.

(2) As of December 31, 2023, WuXi Healthcare Ventures II, L.P. directly held 293,381,444 Shares. To the best knowledge of us, WuXi Healthcare Ventures II, L.P. is a limited partnership established under the laws of Cayman Islands managed by its sole general partner, WuXi Healthcare Management, LLC, a Cayman Islands exempted company in which each of its five members holds an equal share of equity interest. For the purpose of the SFO, WuXi Healthcare Management, LLC is deemed to have an interest in the Shares held by WuXi Healthcare Ventures II, L.P.

(3) As of December 31, 2023, Graceful Beauty Limited, an exempted company with limited liability incorporated under the laws of Cayman Islands, directly held 142,560,448 Shares. For the purpose of the SFO, each of Boyu Capital Fund II, L.P. (as the sole shareholder of Graceful Beauty Limited), Boyu Capital General Partner II L.P. (as the general partner of Boyu Capital Fund II, L.P.), Boyu Capital General Partner II Ltd. (as the general partner of Boyu Capital General Partner II L.P.), and Boyu Capital Holdings Ltd. (as the sole shareholder of Boyu Capital General Partner II Ltd.) is deemed to have an interest in the Shares held by Graceful Beauty Limited.

(4) As of December 31, 2023, Pfizer Corporation Hong Kong Limited, a company incorporated in Hong Kong with limited liability, directly held 115,928,803 Shares. For the purpose of the SFO, Pfizer Inc., a Delaware-incorporated company listed on the New York Stock Exchange and indirectly holding 100% of the shares in Pfizer Corporation Hong Kong Limited is deemed to have an interest in the Shares held by Pfizer Corporation Hong Kong Limited.

(5) As of December 31, 2023, Zhengze Yuanshi directly held 75,553,730 Shares. Zhengze Yuanshi is managed by its sole general partner, Suzhou Industrial Park Zhengze Health Venture Capital Management Centre (Limited Partnership) (蘇州工業園區正則健康創業投資管理中心(有限合夥)), a limited partnership established in China, in which Suzhou Industrial Park Oriza Yuandian Venture Capital Management Co., Ltd. (蘇州工業園區元禾原點創業投資管理有限公司) has 45% equity interest. Suzhou Oriza Holdings Co., Ltd. (蘇州元禾控股股份有限公司) and Suzhou Industrial Park Zhengze Jiming Equity Investment Management Co., Ltd. (蘇州工業園區正則既明股權投資管理有限公司) hold 49% and 51% of the issued share capital of Suzhou Industrial Park Oriza Yuandian Venture Capital Management Co., Ltd., respectively. Suzhou Oriza Holdings Co., Ltd. is held 59.98% by Suzhou Industrial Park Economic Development Co., Ltd. (蘇州工業園區經濟發展有限公司), a state-owned enterprise directly under the Suzhou Industrial Park Administrative Committee (蘇州工業園區管委會), a PRC government related institution primarily responsible for implementing government investment functions. Suzhou Industrial Park Zhengze Jiming Equity Investment Management Co., Ltd. is 40.71% owned by Fei Jianjiang (費建江). For the purpose of the SFO, each of Suzhou Industrial Park Zhengze Health Venture Capital Management Centre (Limited Partnership), Suzhou Industrial Park Oriza Yuandian Venture Capital Management Co., Ltd., Suzhou Oriza Holdings Co., Ltd., Suzhou Industrial Park Zhengze Jiming Equity Investment Management Co., Ltd., Suzhou Industrial Park Economic Development Co., Ltd., the Suzhou Industrial Park Administrative Committee and Fei Jianjiang is deemed to have an interest in the Shares held by Zhengze Yuanshi.

Save as disclosed above and to the best knowledge of the Directors, as of December 31, 2023, the Company is not aware of any other person (other than the Directors or the chief executive of the Company) who had an interest or short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

LARGEST SHAREHOLDER'S INTERESTS IN SIGNIFICANT CONTRACTS

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

SHARE INCENTIVIZATION SCHEMES

We have adopted three share incentivization schemes, collectively referred to as the Share Incentivization Schemes.

Pre-IPO Incentivization Plan

We have adopted the Pre-IPO Incentivization Plan by the resolutions in writing of the Board passed on July 7, 2017 and as amended and restated on August 14, 2018 and as further amended and restated on January 26, 2019 and as further amended and restated on January 7, 2020. No options and RSUs will be granted under the Pre-IPO Incentivization Plan after completion of the Listing.

During the Reporting Period, pursuant to the Pre-IPO Incentivization Plan, no options or RSUs were granted to Directors, executives and employees of the Group. As at the date of this report, no further shares were available for issue under the Pre-IPO Incentivization Plan.

Movement of the options, which were granted under the Pre-IPO Incentivization Plan, during the Reporting Period is as follows:

Name of Participant or Category of Participant	Date of grant	Number of options held at January 1, 2023	Number of options granted during the reporting period	Number of options lapsed	Number of options cancelled	Number of options exercised	Number of options held at December 31, 2023	Exercise Price	Weighted average closing price of the shares immediately before the dates on which the options were exercised	Fair value of options at the date of grant
Director										
Dr. Jianxin Yang, CEO and executive Director	2016-12-07	3,000,000	–	–	–	–	3,000,000	HKD0.2 -HKD0.39	–	US$0.33 -US$0.35
Other employee participants	2016-7-11 – 2019-2-25	2,685,139	–	75,614	–	619,987	1,989,538	HKD0.20 -HKD4.65	HKD3.63	US$0.24 -US$1.39
Total		**5,685,139**	**–**	**75,614**	**–**	**619,987**	**4,989,538**			

Notes:

(1) The exercise period of all options in the table above shall be 10 years from the date of grant.

(2) The vesting schedule of all options in the table above shall be 25% of the shares will be vested on the first anniversary of the vesting commencement date, and the remaining shares will be vested with equal monthly installments over the following thirty-six months.

Details of RSUs granted under the Pre-IPO Incentivization Plan during the Reporting Period are as follows:

Name of Participant or Category of Participant	Date of grant	Number of RSUs held at January 1, 2023	Number of RSUs granted during the reporting period	Number of RSUs lapsed	Number of RSUs cancelled	Number of RSUs vested	Number of RSUs held at December 31, 2023	Weighted average closing price of the shares immediately before the dates on which the RSUs were vested	Fair value of RSUs at the date of grant
Director									
Dr. Jianxin Yang, CEO and executive Director	2019-03-28	67,470	–	–	–	67,470	–	HKD3.99	US$1.28
Other employee participants	2018-12-06	125,000	–	–	–	125,000	–	HKD4.85	US$1.48
Total		**192,470**	**–**	**–**	**–**	**192,470**	**–**		

Notes:

(1) The vesting schedule of the RSUs in the above table shall be 25% of the shares will be vested on the first anniversary of the vesting commencement date and the remaining shares will be vested with equal monthly installments over the following thirty-six months.

(2) The purchase price of all RSUs mentioned in the table above is nil.

Post-IPO ESOP

We have adopted the Post-IPO ESOP by resolutions passed by our Company on January 30, 2019, with effect upon completion of the Listing, and as amended and restated on March 7, 2023.

The number of shares that may be issued in respect of options granted under the Post-IPO ESOP during the Reporting Period divided by the weighted average number of shares in issue was 3.15%. The total number of options available for grant under the Post-IPO ESOP as of January 1, 2023 and December 31, 2023 was 10,693,496 and 128,247,234, respectively. As at the date of this report, the total number of shares available for issue under the Post-IPO ESOP is 77,669,345, representing approximately 6.05% of the Shares in issue. The total number of options available for grant under the Service Provider Sublimit (as defined in the sub-section headed "Summary of the Share Incentivization Schemes" of this section below) as of March 7, 2023[Note] and December 31, 2023 was 12,838,440 and 12,763,640, respectively.

Note:

The resolution of adoption of the Service Provider Sublimit was approved by shareholders of the Company at the extraordinary general meeting of the Company held on March 7, 2023 and the Company adopted the Service Provider Sublimit on the same day.

Movement of the options, which were granted under the Post-IPO ESOP, during the Reporting Period is as follows:

Name of Participant or Category of Participant	Date of grant	Closing price of shares immediately before the date on which the options were granted	Number of options held at January 1, 2023	Number of Options granted during the reporting period	Number of options lapsed	Number of options cancelled	Number of options exercised	Number of options held at December 31, 2023	Exercise Price	Weighted average closing price of the shares immediately before the dates on which the options were exercised	Fair value of options at the date of grant
Directors											
Dr. Jianxin Yang, CEO and executive Director[3][4][5][6]	2020-04-01	HKD 8.70	1,400,000	–	–	1,400,000	–	–	HKD 8.850	–	HKD 4.58
	2021-04-01	HKD 9.25	4,800,000	–	–	4,800,000	–	–	HKD 9.850	–	HKD 6.32
	2022-08-30	HKD 4.77	28,000,000	–	–	–	–	28,000,000	HKD 4.660	–	HKD 1.49-HKD 3.12
	2023-01-06	HKD 4.92	–	4,340,000	–	–	–	4,340,000	HKD 4.900	–	HKD 3.26
	2023-11-08	HKD 2.28		14,000,000	–	–	–	14,000,000	HKD 2.350	–	HKD 1.19–HKD 1.23
Other employee participants[3]											
	2019-04-01	HKD 15.88	440,370	–	84,370	348,489	–	7,511	HKD 15.860	–	HKD 7.19
	2019-06-10	HKD 12.12	1,470,408	–	1,470,408	–	–	–	HKD 12.600	–	HKD 5.74-HKD 5.89
	2019-08-15	HKD 10.32	23,001,776	–	23,001,776	–	–	–	HKD 10.690	–	HKD 5.49
	2019-10-11	HKD 12.04	481,341	–	58,341	415,000	–	8,000	HKD 12.200	–	HKD 6.90–HKD 7.02
	2019-12-09	HKD 10.50	120,500	–	–	120,500	–	–	HKD 10.790	–	HKD 5.96–HKD 6.06
	2020-04-01	HKD 8.70	1,526,494	–	398,988	405,691	–	721,815	HKD 8.850	–	HKD 4.58-HKD 4.68
	2020-07-13	HKD 11.10	607,500	–	182,500	425,000	–	–	HKD 11.048	–	HKD 5.60
	2020-11-30	HKD 9.99	1,276,750	–	225,000	970,132	–	81,618	HKD 9.960	–	HKD 4.83-HKD 5.02
	2021-04-01	HKD 9.25	4,129,878	–	825,825	1,787,700	–	1,516,353	HKD 9.850	–	HKD 5.26-HKD 6.32
	2021-07-02	HKD 17.10	3,908,750	–	18,750	3,890,000	–	–	HKD 17.308	–	HKD 8.28-HKD 9.14
	2021-12-10	HKD 9.75	2,908,580	–	1,234,128	1,601,948	–	72,504	HKD 9.588	–	HKD 4.77-HKD 5.15
	2022-06-06	HKD 5.10	7,504,376	–	2,889,626	–	–	4,614,750	HKD 5.274	–	HKD 2.63-HKD 2.93
	2022-07-21	HKD 4.90	4,659,367	–	1,392,121	–	–	3,267,246	HKD 5.002	–	HKD 2.30-HKD 2.39
	2023-01-06	HKD 4.92	–	7,116,419	1,301,777	–	–	5,814,642	HKD 4.900	–	HKD 2.63-HKD 2.83
	2023-03-23[8]	HKD 3.67	–	14,238,280	3,595,065	–	–	10,643,215	HKD 3.768	–	HKD 0.75-HKD 2.01
Service Providers[7][8]											
	2023-03-23[8]	HKD 3.67	–	82,840	23,000	–	–	59,840	HKD 3.768	–	HKD 1.86
Total			**86,236,090**	**39,777,539**	**36,701,675**	**16,164,460**	**–**	**73,147,494**			

Notes:

(1) The exercise period of all options in the table above shall be 10 years from the date of grant.

(2) All options granted are subject to any of the individual performance result and other requirements as set out in the grant letters to be entered into between each of the grantees and the Company.

(3) The vesting schedules of the grant of options shall vest in accordance with either of the followings:

- 25% of the shares shall vest on the first anniversary of the date of grant and the remaining shares shall vest with equal monthly installments over the thirty-six months immediately following the first anniversary of the date of grant;
- 25% shall vest on each of the first to fourth anniversary of the date of grant; or
- 25% shall vest on each of the first to fourth anniversary of the date of satisfaction of the respective performance target milestone.

(4) The vesting schedules of the grant of 28,000,000 share options to Dr. Jianxin Yang shall be as follows:

- 14,000,000 Options granted to Dr. Yang shall vest as follows:

  25% shall vest on the first anniversary of August 25, 2022 (rounding to the nearest whole Option);

  25% shall vest on the second anniversary of August 25, 2022 (rounding to the nearest whole Option);

  25% shall vest on the third anniversary of August 25, 2022 (rounding to the nearest whole Option); and

  25% shall vest on the fourth anniversary of August 25, 2022 (rounding to the nearest whole Option).

- The remaining 14,000,000 Options granted to Dr. Yang are divided into various batches of Options. Upon satisfaction of the performance target milestone specified for each batch of Options, the respective batch of Options shall vest as follows:

  25% shall vest on the first anniversary of the date of satisfaction of the respective performance target milestone (rounding to the nearest whole Option);

  25% shall vest on the second anniversary of the date of satisfaction of the respective performance target milestone (rounding to the nearest whole Option);

  25% shall vest on the third anniversary of the date of satisfaction of the respective performance target milestone (rounding to the nearest whole Option); and

  25% shall vest on the fourth anniversary of the date of satisfaction of the respective performance target milestone (rounding to the nearest whole Option).

(5) The vesting schedules of the grant of 4,340,000 share options to Dr. Jianxin Yang shall be as follows:

25% shall vest on the first anniversary of the date of grant (rounding to the nearest whole option); and

75% shall vest monthly in equal installments over the 36 months (rounding to the nearest whole option) immediately following the first anniversary of the date of grant.

(6) The vesting schedules of the grant of 14,000,000 share options to Dr. Jianxin Yang shall be as follows:

Upon satisfaction of the performance target milestone specified for each batch of Options, the respective batch of Options shall vest as follows:

25% of Share Options corresponding to the relevant performance target milestone shall vest on the first anniversary of the respective the date of satisfaction of the respective performance target milestone; and

the remaining 75% of Share Options corresponding to the relevant performance target milestone shall vest monthly in equal installments over the 36 months immediately following the first anniversary of the date of satisfaction of the respective performance target milestone.

(7) According to the relevant scheme rules, Service Providers means any persons (nature person or corporate entity) who provide services to the Group on a continuing and recurring basis in the ordinary course of business of the Group which are in the interests of the long term growth of the Group, including independent contractor, consultant and/or advisors for the research & development, product commercialization, marketing, innovation upgrading, strategic/commercial planning on corporate image and investor relations in investment environment of the Company (excluding any placing agents or financial advisers providing advisory services for fundraising, mergers or acquisition, and service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity).

(8) The vesting commencement date of the 12,721,120 options out of the total of 14,321,120 options granted to other employee participants and service providers on March 23, 2023 (the "March 2023 Grant") was April 1, 2023 (the "Vesting Commencement Date"). No performance targets were attached to the 12,721,120 options granted. The 12,721,120 options shall commence vesting as follows:

480,000 options granted under the March 2023 Grant shall vest as follows:

- 25% shall vest on the first anniversary of the Vesting Commencement Date (rounding to the nearest whole option);
- 25% shall vest on the second anniversary of the Vesting Commencement Date (rounding to the nearest whole option);
- 25% shall vest on the third anniversary of the Vesting Commencement Date (rounding to the nearest whole option); and
- 25% shall vest on the fourth anniversary of the Vesting Commencement Date (rounding to the nearest whole option).

12,241,120 options granted under the March 2023 Grant shall vest as follows:

- 25% shall vest on the first anniversary of the Vesting Commencement Date (rounding to the nearest whole option); and
- 75% shall vest monthly in equal installments over the 36 months (rounding to the nearest whole option) immediately following the first anniversary of the Vesting Commencement Date.

The remaining 1,600,000 options out of the March 2023 Grant to one employee of the Company shall commence vesting upon satisfaction of the performance target milestone (including individual performance based on periodic performance assessment and annual review results by the Company) as follows:

- 25% shall vest on the first anniversary of the date of satisfaction of the respective performance target milestone (rounding to the nearest whole option);
- 25% shall vest on the second anniversary of the date of satisfaction of the respective performance target milestone (rounding to the nearest whole option);
- 25% shall vest on the third anniversary of the date of satisfaction of the respective performance target milestone (rounding to the nearest whole option); and
- 25% shall vest on the fourth anniversary of the date of satisfaction of the respective performance target milestone (rounding to the nearest whole option).

Post-IPO RSU Scheme

We have adopted the Post-IPO RSU Scheme by resolutions passed by our Company on March 22, 2019 and restated and amended by our Company on December 10, 2019, January 7, 2020 and March 7, 2023, as amended from time to time.

The number of shares that may be issued in respect of RSUs granted under the Post-IPO RSU Scheme during the Reporting Period divided by the weighted average number of shares in issue was 0.27%. The total number of RSUs available for grant under the Post-IPO RSU Scheme as of January 1, 2023 and December 31, 2023 was 13,048,447 and 128,247,234, respectively. As at the date of this report, the total number of shares available for issue under the Post-IPO RSU Scheme was 77,669,345, representing approximately 6.05% of the Shares in issue. The total number of RSUs available for grant under the Service Provider Sublimit (as defined in the sub-section headed "Summary of the Share Incentivization Schemes" of this section below) of the Post-IPO RSU Scheme as of March 7, 2023[5] and December 31, 2023 was 12,838,440 and 12,763,640, respectively.

Details of RSUs granted under the Post-IPO RSU Scheme, during the Reporting Period are as follows:

Name of Participant or Category of Participant	Date of grant	Closing price of shares immediately before the date on which the RSUs were granted	Number of RSUs held at January 1, 2023	Number of RSUs granted during the reporting period	Number of RSUs lapsed	Number of RSUs cancelled	Number of RSUs vested	Number of RSUs held at December 31, 2023	Weighted average closing price of the shares immediately before the dates on which the RSUs were vested	Fair value of RSUs at the date of grant
Directors										
Dr. Jianxin Yang, CEO and executive Director[1]	2021-04-01	HKD 9.25	700,000	–	–	–	300,000	400,000	HKD 2.60	HKD 9.85
Kenneth Walton Hitchner III[1]	2021-12-10	HKD 9.75	47,986	–	–	–	15,995	31,991	HKD 2.38	HKD 9.33
Other employee participants[1]										
	2019-03-25	HKD 16.48	8,344	–	6,261	–	2,083	–	HKD 4.85	HKD 15.74
	2019-03-28	HKD 16.02	17,998	–	–	–	17,998	–	HKD 3.83	HKD 15.72
	2019-04-01	HKD 15.88	4,489	–	1,239	–	3,250	–	HKD 3.53	HKD 15.86
	2019-04-29	HKD 13.72	1,677	–	–	–	1,677	–	HKD 3.33	HKD 13.56
	2019-05-13	HKD 14.36	27,480	–	–	–	27,480	–	HKD 3.19	HKD 14.36
	2019-05-16	HKD 13.44	60,000	–	–	–	60,000	–	HKD 3.10	HKD 13.20
	2019-05-20	HKD 12.64	5,010	–	–	–	5,010	–	HKD 3.18	HKD 12.38
	2019-06-10	HKD 12.12	–	–	–	–	–	–	–	HKD 12.60
	2019-10-11	HKD 12.04	167,841	–	48,845	–	117,845	1,151	HKD 3.06	HKD 12.20
	2019-12-09	HKD 10.50	58,500	–	–	–	58,500	–	HKD 2.47	HKD 10.60
	2020-04-01	HKD 8.70	25,000	–	2,500	–	17,000	5,500	HKD 3.17	HKD 8.60
	2020-07-13	HKD 11.10	111,000	–	30,500	–	50,500	30,000	HKD 2.76	HKD 10.78
	2020-11-30	HKD 9.99	377,671	–	47,757	–	173,914	156,000	HKD 2.07	HKD 9.53
	2021-04-01	HKD 9.25	1,392,131	–	456,507	–	545,174	390,450	HKD 2.93	HKD 9.85
	2021-07-02	HKD 17.10	835,750	–	62,500	–	265,250	508,000	HKD 3.06	HKD 16.20
	2021-12-10	HKD 9.75	782,974	–	310,165	–	170,353	302,456	HKD 2.24	HKD 9.33
	2022-06-06	HKD 5.10	1,697,000	–	707,339	–	738,411	251,250	HKD 2.70	HKD 5.09
	2022-07-21	HKD 4.90	160,000	–	63,339	–	96,661	–	HKD 2.46	HKD 4.58
	2023-03-23[3][4]	HKD 3.67	–	3,361,220	752,865	–	113,335	2,495,020	HKD 2.14	HKD 3.57
Service Providers[2][3][4][5]										
	2023-03-23	HKD 3.67	–	17,960	3,000	–	–	14,960	–	HKD 3.57
Total			**6,480,851**	**3,379,180**	**2,492,817**	**–**	**2,780,436**	**4,586,778**		

Notes:

(1) The vesting schedules of the grant of RSUs shall vest in accordance with either of the followings:

- 25% of the shares shall vest on the first anniversary of the date of grant and the remaining shares shall vest with equal monthly installments over the thirty-six months immediately following the first anniversary of the date of grant; or
- 25% shall vest on each of the first to fourth anniversary of the date of grant;
- 25% shall vest on each of the first to fourth anniversary of the date of satisfaction of the respective performance target milestone.

(2) According to the relevant scheme rules, Service Providers means any persons (nature person or corporate entity) who provide services to the Group on a continuing and recurring basis in the ordinary course of business of the Group which are in the interests of the long term growth of the Group, including independent contractor, consultant and/or advisors for the research & development, product commercialization, marketing, innovation upgrading, strategic/commercial planning on corporate image and investor relations in investment environment of the Company (excluding any placing agents or financial advisers providing advisory services for fundraising, mergers or acquisition, and service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity).

(3) The vesting commencement date of the 2,979,180 RSUs out of the total of 3,379,180 RSUs granted to other employee participants and service providers on March 23, 2023 (the "March 2023 RSU Grant") was April 1, 2023 (the "Vesting Commencement Date"). No performance targets were attached to the 2,979,180 RSUs granted.

The remaining 400,000 RSUs granted under the March 2023 RSU Grant to one employee amongst the other employee participants shall commence vesting upon certain performance target (including individual performance based on periodic performance assessment and annual review results by the Company) and other requirements as set out in the grant letter entered into between the employee and the Company have been met.

(4) 1,059,180 RSUs granted under the March 2023 RSU Grant shall vest as follows:

- 25% shall vest on the first anniversary of the Vesting Commencement Date (rounding to the nearest whole RSU);
- 25% shall vest on the second anniversary of the Vesting Commencement Date (rounding to the nearest whole RSU);
- 25% shall vest on the third anniversary of the Vesting Commencement Date (rounding to the nearest whole RSU); and
- 25% shall vest on the fourth anniversary of the Vesting Commencement Date (rounding to the nearest whole RSU).

1,920,000 RSUs granted under the March 2023 RSU Grant shall vest as follows:

- 25% shall vest on the first anniversary of the Vesting Commencement Date (rounding to the nearest whole RSU); and
- 75% shall vest monthly in equal installments over the 36 months (rounding to the nearest whole RSU) immediately following the first anniversary of the Vesting Commencement Date.

400,000 RSUs granted under the March 2023 RSU Grant shall vest as follows:

- 25% shall vest on the first anniversary of the date of satisfaction of the respective performance target milestone (rounding to the nearest whole RSU);
- 25% shall vest on the second anniversary of the date of satisfaction of the respective performance target milestone (rounding to the nearest whole RSU);
- 25% shall vest on the third anniversary of the date of satisfaction of the respective performance target milestone (rounding to the nearest whole RSU); and
- 25% shall vest on the fourth anniversary of the date of satisfaction of the respective performance target milestone (rounding to the nearest whole RSU).

(5) The resolution of adoption of the Service Provider Sublimit was approved by shareholders of the Company at the extraordinary general meeting of the Company held on March 7, 2023 and the Company adopted the Service Provider Sublimit on the same day.

(6) The purchase price of all RSUs mentioned in the table above is nil.

For further details of the Share Incentivization Schemes, including the fair value of the options granted under the Share Incentivization Schemes, please refer to note 29 to the Consolidated Financial Statements.

SUMMARY OF THE SHARE INCENTIVIZATION SCHEMES

The major terms and details of the Share Incentivization Schemes are set out below:

Details	Pre-IPO Incentivization Plan	Post-IPO ESOP	Post-IPO RSU Scheme
1. Purpose	To attract, motivate and/or to reward eligible employees, officers, directors, contractor, advisors and consultants of our Group.	To attract and retain employees, to reward eligible participants for their past contribution to the Company, to provide incentives to the eligible participants to further contribute to the Group and to align their interests with the best interests of the Company and the Shareholders as a whole.	To: • recognize the contributions by certain selected participants with an opportunity to acquire a proprietary interest in the Company; • encourage and retain such individuals for the continual operation and development of the Group; • provide additional incentives for them to achieve performance goals; • attract suitable personnel for further development of the Group; and • motivate the selected participants to maximize the value of the Company for the benefits of both the selected participants and the Company, with a view to achieving the objectives of increasing the value of the Group and aligning the interests of the selected participants directly to the Shareholders of the Company through ownership of Shares.

Details	Pre-IPO Incentivization Plan	Post-IPO ESOP	Post-IPO RSU Scheme
2. Participants	Eligible employees include any employee, officer, director, contractor, advisor or consultant of the Group who is notified by the Board that he or she is eligible by reason of their contribution to the Group.	Eligible employees include any employee, officer, director, contractor, advisor or consultant of the Group who is notified by the Board that he or she is an employee eligible by reason of his or her contribution to the Group, to the extent that an offer of an award to or a receipt of such award by him or her is permitted under the applicable laws, rules and regulations or accounting or tax rules and regulations. In the amended rules of the Post-IPO ESOP as adopted on the Amendment Date, eligible participants include (i) employee participant: any employee (whether fulltime or part-time), a director (including executive directors, non-executive directors and independent non-executive directors) of any member of the Group, and any persons who are granted awards under this plan as an inducement to enter into employment contracts with any member of the Group, in each case until such employee shall cease to be an employee with effect from (and including) the date of termination of his or her employment; and (ii) service provider: any persons (nature person or corporate entity) who provide services to the Group on a continuing and recurring basis in the ordinary course of business of the Group which are in the interests of the long term growth of the Group, including independent contractor, consultant and/or advisors for the R&D, product commercialization, marketing, innovation upgrading, strategic/commercial planning on corporate image and investor relations in investment environment of the Company (excluding any placing agents or financial advisers providing advisory services for fundraising, mergers or acquisition, and service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity).	Eligible persons include any employee of any member of the Group and any consultant, adviser or agent of any member of the Group (including the connected persons (as defined in the Listing Rules) of the Company), who have contributed or will contribute to the growth and development of the Group. In the amended rules of the Post-IPO RSU Scheme as adopted on the Amendment Date, eligible participants include (i) employee participant: any employee (whether full-time or part-time), a director (including executive directors, non-executive directors and independent non-executive directors) of any member of the Group, and any persons who are granted awards under this scheme as an inducement to enter into employment contracts with any member of the Group, in each case until such employee shall cease to be an employee with effect from (and including) the date of termination of his or her employment; and (ii) service provider: any persons (nature person or corporate entity) who provide services to the Group on a continuing and recurring basis in the ordinary course of business of the Group which are in the interests of the long term growth of the Group, including independent contractor, consultant and/or advisors for the R&D, product commercialization, marketing, innovation upgrading, strategic/commercial planning on corporate image and investor relations in investment environment of the Company (excluding any placing agents or financial advisers providing advisory services for fundraising, mergers or acquisition, and service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity).

Details	Pre-IPO Incentivization Plan	Post-IPO ESOP	Post-IPO RSU Scheme
3. Maximum number of Shares that can be awarded	The maximum number of Shares in respect of which awards may be granted under the plan shall not, subject to any reorganisation of capital structure and other corporate events, exceed 130,831,252 Shares in the aggregate (taken into account of the capitalization issue on the Listing Date).	The maximum number of Shares in respect of which awards may be granted or delivered in satisfaction of awards under the plan shall not, subject to any reorganisation of capital structure and other corporate events, exceed 98,405,153 (taken into account of the capitalization issue on the Listing Date), being 10% of the Shares in issue as of the adoption date. The limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the plan and any other schemes must not exceed 30% of the relevant class of Shares in issue from time to time. In the amended rules of the Post-IPO ESOP as adopted on the Amendment Date, the Company shall not make any further grant of options which will result in the aggregate number of Shares underlying all grants of (i) new Shares or restricted share units or restricted shares of the Company; or (ii) options over new Shares made pursuant to this Plan and other share schemes adopted by the Company from time to time to exceed 128,384,401 Shares, representing 10% of the total number of issued Shares as of the Amendment Date without Shareholders' approval (the "**Scheme Mandate Limit**"). Within the Scheme Mandate Limit, the total number of Awards which may be granted under this plan and grants made under other share schemes of the Company to service providers shall not exceed 12,838,440 Shares, representing 1% of the total number of Shares in issue on the Amendment Date (the "**Service Provider Sublimit**").	The Board may not make any further award which will result in the aggregate number of the Shares awarded by the Board under the scheme exceeding, initially, 7,650,000 Shares (being approximately 0.78% of the issued share capital of the Company as at the adoption date), which was subsequently increased to 38,010,316 Shares (being approximately 2.96% of the issued share capital of the Company as at December 31, 2023) pursuant to a board meeting dated July 15, 2019. In the amended rules of the Post-IPO RSU Scheme as adopted on the Amendment Date, the Company shall not make any further grant of restricted new share award which will result in the aggregate number of Shares underlying all grants of (i) new Shares of the Company; or (ii) options over new Shares made pursuant to this scheme and other share schemes adopted by the Company to exceed 128,384,401 Shares, representing 10% of the total number of issued Shares as of the Amendment Date without Shareholders' approval (the "**Scheme Mandate Limit**"). Within the Scheme Mandate Limit, the total number of restricted new shares which may be granted under this scheme and grants made under other share schemes of the Company to Service Providers shall not exceed 12,838,440 Shares, representing 1% of the total number of Shares in issue on the Amendment Date (the "**Service Provider Sublimit**"). The maximum number of grant of restricted existing shares under this scheme is 5% of the total issued Shares of the Company as at the Amendment Date (excluding any restricted existing shares lapsed in accordance with term of this scheme).

Details	Pre-IPO Incentivization Plan	Post-IPO ESOP	Post-IPO RSU Scheme
4. Maximum entitlement of each participant	No employee shall be granted an award which, if exercised or settled in full, would result in such employee becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued under all the awards previously granted to him which have been exercised, and, issuable or settled under all the awards previously granted to him which for the time being subsisting and unexercised, would exceed 10% of the aggregate number of Shares for the time being issued and issuable under the plan.	Except with the approval of the Shareholders in general meeting, no option may be granted to any one person which, if exercised or settled in full, such that the total number of Shares issued and to be issued upon exercise of options and any other option over the Shares (including exercised, cancelled and outstanding options) granted and to be granted to such person in any 12-month period up to the date of the latest grant exceeds 1% of the Shares in issue from time to time. In the amended rules of the Post-IPO ESOP as adopted on the Amendment Date, for any 12-month period up to and including the grant date, the aggregate number of Shares issued and to be issued in respect of all options granted to any eligible participant under this plan and any grants made under any other share scheme(s) of the Company (excluding any options or awards lapsed under any share scheme of the Company) shall not exceed 1% of the total number of the Shares in issue as at the grant date without Shareholders' approval.	In the amended rules of the Post-IPO RSU Scheme as adopted on the Amendment Date, for any 12-month period up to and including the grate date, the aggregate number of Shares issued and to be issued in respect of all restricted new shares granted to any selected participant and all grants made under any other share scheme(s) of the Company (excluding any options and/or awards lapsed in accordance with the share schemes of the Company) shall not exceed 1% of the total number of the Shares in issue as at the grate date without Shareholders' approval. Where any grant of awards to a substantial shareholder of the Company or an independent non-executive Director, or their respective associates, would result in the total number of Shares issued and to be issued in respect of all awards or options granted and to be granted to such person in the 12-month period up to and including the date of such grant (excluding any awards or options lapsed in accordance with the terms of the share schemes of the Company), representing in aggregate over 0.1% of the total number of Shares in issue, such further grant of awards must be approved by the Shareholders in general meeting.
5. Option period	The period during which the option can be exercised as set forth in the relevant offer letters in accordance with the plan.	The period during which the option can be exercised as set forth in the relevant offer letters in accordance with the plan, which, in any event, must end on or before the tenth anniversary of the date of the grant of such option. In the amended rules of the Post-IPO ESOP as adopted on the Amendment Date, the option must be held by the grantee for at least 12 months before the option can be vested save for the exceptional circumstances prescribed in the plan.	The vesting of the awarded Shares is subject to the selected participant remaining at all times after the grant date and on the date of vesting, an eligible person, subject to the rules of the scheme. Save for the circumstances prescribed in the scheme, the vesting period of the restricted new shares granted shall not be less than 12 months.

Details	Pre-IPO Incentivization Plan	Post-IPO ESOP	Post-IPO RSU Scheme
6. Acceptance of offer	Awards granted must be accepted within the period as stated in the offer of the grant, upon payment of exercise price as set out in the relevant offer letter per grant, if any. There is no amount payable solely for application or acceptance of the option or awards.		
7. Exercise price	The subscription price shall be approved by the Board and shall be set out in the offer letter. The exercise prices of the options granted between the adoption date and the Listing Date include US$0.1, US$0.2, US$0.57 and US$2.37 (without taking into account the effect of the capitalisation issue).	The subscription price shall be approved by the Board and shall be set out in the offer letter. The subscription price per Share of each award requiring exercise must be determined in accordance with the Fair Market Value of the Shares subject to the award, determined as of the date of grant. "Fair Market Value" means the higher of (a) the closing price of a Share on the date of grant, which must be a business day, on the principal stock market or exchange on which the Shares are quoted or traded, and (b) the average closing price of a Share for the five trading days immediately preceding the date of grant, on the principal stock market or exchange on which the Shares are quoted or traded, or if Shares are not so quoted or traded, the fair market value of a Share as determined by the Compensation Committee.	–
8. Remaining life of the scheme	The plan shall be valid and effective for the period of ten years commencing on the adoption date until July 7, 2027 after which period no further awards will be granted, but the provisions of the plan shall in all other respects remain in full force and effect and the grantees may exercise the options in accordance with the terms upon which the options are granted. The remaining life of the plan is approximately three years and three months as at the date of this report.	The plan shall be valid and effective for the period of ten years commencing on the adoption date until February 26, 2029 after which period no further awards will be granted, but the provisions of the plan shall in all other respects remain in full force and effect and the grantees may exercise the options in accordance with the terms upon which the options are granted. The remaining life of the plan is approximately four years and ten months as at the date of this report.	The scheme remains valid and effective from the adoption date until March 22, 2029, being the tenth anniversary of the adoption date, after which period no further awards will be granted, but the provisions of the scheme will in all other respects remain in full force and effect and awards that are granted from the adoption date until the tenth anniversary of the adoption date may continue to be exercisable in accordance with their terms of issue. The remaining life of the scheme is approximately four years and eleven months as at the date of this report.

CONTINUING CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

None of the related parties transactions as disclosed in Note 31 to the Consolidated Financial Statements constitute connected transaction or continuing connected transaction as defined under Chapter 14A of the Listing Rules. During the Reporting Period, there were no connected transactions nor continuing connected transactions of the Group which has to be disclosed in accordance with Chapter 14A of the Listing Rules.

SEGMENT INFORMATION

An analysis of the Group's revenue and contribution to results by geographical areas of the operations for the Reporting Period is set out in Note 6 to the Consolidated Financial Statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Reporting Period are set out in Note 14 to the Consolidated Financial Statements.

SHARES ISSUED IN THE REPORTING PERIOD

Details of the Shares issued by the Company during the Reporting Period are set out in Note 28 and Note 29 to the Consolidated Financial Statements. Save as disclosed below, no placing or fund raising activities took place during the Reporting Period.

On February 8, 2023 (before trading hours), the Company entered into a placing agreement with Morgan Stanley Asia Limited (the "**Placing Agent**"), pursuant to which the Company agreed to place, through the Placing Agent, an aggregate of 84,800,000 ordinary Shares to not less than six placees at a price of HK$4.633 per placing Share. The closing market price of the Company's Shares was HK$5.08 on February 7, 2023. Based on a nominal value of USD0.0001 per Share, the aggregate nominal value of the placing Shares is USD8,480. All the conditions of the placing were fulfilled and the closing of the placing took place on February 15, 2023. The Company received net proceeds from the placing, after deducting the placing commission and other related expenses and professional fees, of approximately HK$389.07 million (equivalent to approximately RMB338.12 million). The net price per placing Share is approximately HK$4.59.

DISTRIBUTABLE RESERVES

As of December 31, 2023, the Company did not have any distributable reserves.

USE OF NET PROCEEDS

On September 30, 2020 (before trading hours), the Company entered into the share subscription agreement with Pfizer, pursuant to which Pfizer has conditionally agreed to subscribe for an aggregate of 115,928,803 subscription shares at the subscription price of approximately HK$13.37 per Share. The gross proceeds from the allotment and issue of the subscription shares were approximately US$200.0 million (equivalent to approximately RMB1,355.9 million), which will be used for the funding of the development activities under the collaboration agreement dated September 30, 2020 (the "**Collaboration Agreement**"). All the conditions of the subscription have been fulfilled and the closing of the subscription took place on October 9, 2020. The use of these proceeds is in line with the planned use and there is no significant change.

The table below sets out the planned applications of the proceeds and actual usage up to December 31, 2023:

	% of use of proceeds	Proceeds from the subscription *(RMB million)*	Unutilized net proceeds as of December 31, 2022 *(RMB million)*	Actual usage during the Reporting Period *(RMB million)*	Unutilized net proceeds as of December 31, 2023 *(RMB million)*
Fund the development activities under the collaboration agreement	100%	1,355.9	534.9	125.6	409.3

Note: The unutilized net proceeds are planned to be put into use by December 31, 2025.

As of the date of this annual report, the Board is aware that there has been a delay in the expected timeline for the use of proceeds when compared to the implementation plan as disclosed in the interim report for the six months ended June 30, 2023. To the best knowledge of the Directors, the delay in use of proceeds was mainly attributable to changes in the joint development plan for assets that the Company is developing with Pfizer, taking into account the current status of Pfizer's pipeline.

The Company expects to utilize the unutilized proceeds based on clinical development plan as stipulated in the Collaboration Agreement. As the collaboration evolves, the Company will continue to evaluate and adopt a prudent and flexible approach for utilising the net proceeds effectively and efficiently for the long-term benefit and development of the Group. The expected timeline of full utilisation is based on the Directors' best estimation barring unforeseen circumstances, and would be subject to change based on the future development of market conditions.

On February 8, 2023 (before trading hours), the Company entered into a placing agreement with Morgan Stanley Asia Limited (the "**Placing Agent**"), pursuant to which the Company agreed to place, through the Placing Agent, an aggregate of 84,800,000 placing shares to not less than six placees at a price of HK$4.633 per placing share. The net proceeds from the placing, after deducting the placing commission and other related expenses and professional fees, were approximately HK$389.07 million (equivalent to approximately RMB338.12 million). The Company intends to use the net proceeds for purposes as stated below. All the conditions of the placing were fulfilled and the closing of the placing took place on February 15, 2023. The use of these proceeds is in line with the planned use and there is no significant change or delay.

The table below sets out the planned applications of the proceeds and actual usage up to December 31, 2023:

	% of use of proceeds	Proceeds from the placing *(RMB million)*	Actual usage during the Reporting Period *(RMB million)*	Unutilized net proceeds as of December 31, 2023 *(RMB million)*
Commercialization and indication expansion of marketed products such as pralsetinib, avapritinib, and ivosidenib, as well as technology transfer to reduce drug supply cost and improve profitability	20%	67.62	67.62	–
Development of pipeline products including but not limited to CS5001 (a potentially best-in-class ROR1 ADC)	50%	169.06	115.59	53.47
Business development activities to enrich the Company's pipeline and fully utilize the Company's proven clinical capabilities	20%	67.62	15.31	52.31
General corporate purposes	10%	33.82	14.71	19.11
Total	100%	338.12	213.23	124.89

Note: The unutilized net proceeds are planned to be put into use by December 31, 2024.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company had maintained the prescribed public float under the Listing Rules during the Reporting Period and up to the date of this annual report.

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

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

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 its existing Shareholders.

PROFESSIONAL TAX ADVICE RECOMMENDED

If any of the Shareholders is unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the Shares, he or she is advised to consult an expert. The Company is not aware of any relief on taxation available to the Shareholders by reason of their holdings of the Shares.

BANK LOANS AND OTHER BORROWINGS

As at December 31 2023, the Group's bank borrowings were all denominated in RMB. In 2020, the Group obtained two new bank loan facilities amounting to RMB175 million and RMB25 million, respectively, for the purpose of the construction of the facilities and working capital. In 2022, the Group obtained one new bank loan facility amounting to RMB100 million for the purpose of working capital. In 2023, the Group obtained three new bank loan facilities amounting to RMB100 million, RMB80 million and RMB50 million for the purpose of working capital. During the year ended December 31, 2023, the Group has drawn down RMB350,000,000 and repaid RMB268,749,000 of principal and interest in accordance with the payment schedules. For details on the maturity profile of our borrowings, please see Note 24 to the Consolidated Financial Statements.

Save as disclosed above, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, unutilized banking facilities, bank overdrafts or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees.

KEY PERFORMANCE INDICATORS

Revenue decreased by RMB17.6 million from RMB481.4 million for the year ended December 31, 2022 to RMB463.8 million for the year ended December 31, 2023.

Other gains and losses increased by RMB200.3 million from losses of RMB0.8 million for the year ended December 31, 2022 to gains of RMB199.5 million for the year ended December 31, 2023.

Research and development expenses decreased by RMB86.4 million from RMB614.2 million for the year ended December 31, 2022 to RMB527.8 million for the year ended December 31, 2023.

Administrative expenses decreased by RMB66.4 million from RMB249.1 million for the year ended December 31, 2022 to RMB182.7 million for the year ended December 31, 2023.

Selling and marketing expenses decreased by RMB128.0 million from RMB327.3 million for the for the year ended December 31, 2022 to RMB199.3 million for the year ended December 31, 2023.

As a result of the above factors, the loss for the year decreased by RMB535.5 million from RMB902.7 million for the year ended December 31, 2022 to RMB367.2 million for the year ended December 31, 2023.

CHARITABLE CONTRIBUTIONS

During the Reporting Period, the Group had made charitable contributions of approximately RMB3.27 million to three Patient Assistance Program (PAP) through Beijing Health Alliance Charitable Foundation.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended December 31, 2023, the Group derived substantially its revenues from sales of pharmaceutical products. For the year ended December 31, 2023, revenue from the five largest customers and the largest customer accounted for approximately 97.5% and 52.2%, respectively, of the Group's total revenue. For further details, please see Note 6 to the Consolidated Financial Statements of this report.

None of the Directors or any of their close associates (as defined in the Listing Rules) or any Shareholders (whom, to the best knowledge and belief of the Directors, own more than 5% of the Company's total issued share capital) had a material interest in the Group's five largest customers during the Reporting Period.

During the year ended December 31, 2023, purchases from the Group's five largest supplier accounted for less than 30% of the Groups total purchases.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Group has compliance policies and procedures in place to ensure adherence to applicable laws, rules and regulations, in particular, those that have a significant impact on the operation of the Group, including the requirements under the Companies Ordinance, the Listing Rules, the SFO and the CG Code for, among other things, the disclosure of information and corporate governance. For details of the applicable laws and regulations, please refer to the section headed "Regulatory Environment" in the Prospectus for details. The Group would seek professional legal advice from its legal advisers to ensure that transactions and business to be performed by the Group are in compliance with the applicable laws and regulations. During the Reporting Period, the Group was not aware of any material non-compliance with any relevant laws and regulations that had a significant impact on it.

MATERIAL LITIGATION

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

RELATIONSHIPS WITH THE GROUP'S EMPLOYEES

The Group believes that employees are important and valuable assets. The Group will provide trainings for employees to enhance their knowledge in corporate values and culture and to implement them thoroughly. Meanwhile, the Group encourages staff on continued studies by giving subsidy to recognized development courses. The Group also aims to provide competitive and attractive remuneration packages to retain its employees. Management reviews the remuneration package offered to the employees of the Group on an annual basis. Meanwhile, for the purpose of providing incentives and rewards to eligible participants who have contributed to the success of the Group's operations, the Company has adopted the Pre-IPO Incentivization Plan, the Post-IPO ESOP and the Post-IPO RSU Scheme. Details of such schemes are set out in the section headed "Share Incentivization Schemes" in this report.

RETIREMENT BENEFIT PLANS

The employees of the Company's subsidiaries in the PRC are members of the state-managed retirement benefit scheme operated by the relevant local government authority in the PRC. The subsidiaries are required to contribute, based on a certain percentage of the payroll costs of its employees, to the retirement benefit scheme and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The total amount provided by the Group to the scheme in the PRC and charged to profit or loss are approximately RMB46,498,000 (2022: RMB55,896,000) for the year ended December 31, 2023.

During the Reporting Period, there were no forfeited contributions under the defined contributions plans of the Group, and there were no forfeited contributions had been used by the Group to reduce the existing level of contributions.

RELATIONSHIPS WITH THE GROUP'S SUPPLIERS AND OTHER STAKEHOLDERS

The Group values long-standing relationships with its suppliers, customers, medical experts, and other business associates are key to the Group's success. The Group strives to achieve corporate sustainability through engaging, collaborating, and cultivating strong relationships with them. The Group aims at delivering high quality products to its potential customers and developing mutual trust and enhancing communication and commitment between the Group and its suppliers to maintain sustainable growth. For details of an account of the Company's key relationships with its employees, customers and suppliers and others that have a significant impact on the Company is set out in the "Environmental, Social and Governance Report" of the Company which will be published and made available on the websites of the Stock Exchange and the Company together with this report.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The Company is no longer an eligible stock on the Hang Seng Composite Index on February 16, 2024 and with effect from March 4, 2024, the Company is no longer included on the Hong Kong Stock Connect.

CORPORATE GOVERNANCE

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

EQUITY-LINK AGREEMENT

Save as disclosed in the section headed "Share Incentivization Schemes" in this report, there was no equity-link agreement entered into by the Company during the Reporting Period.

REVIEW BY AUDIT COMMITTEE

The Audit Committee currently comprises three INEDs, namely, Mr. Hongbin Sun, Dr. Paul Herbert Chew and Mr. Ting Yuk Anthony Wu. The Audit Committee has reviewed with the management of the Company the Consolidated Financial Statements for the Reporting Period.

INDEPENDENT AUDITOR

The Consolidated Financial Statements for the Reporting Period have been audited by Deloitte Touche Tohmatsu. Having been approved by the Board upon the Audit Committee's recommendation, a resolution for the re-appointment of Deloitte Touche Tohmatsu as the Independent Auditor for the ensuing year will be put forward at the forthcoming AGM for Shareholder's approval.

In the preceding three years, the auditors of the Company have not changed.

On Behalf of the Board

Dr. Wei Li
Chairman and Non-executive Director

Suzhou, PRC, March 27, 2024

Corporate Governance Report

The Board hereby presents to the Shareholders the Corporate Governance Report of the Group for the year ended December 31, 2023.

CORPORATE CULTURE

The Company is firmly committed to a high level of corporate governance and adherence to the governance principles and practices emphasising transparency, independence, accountability, responsibility and fairness. These principles and practices are reviewed and revised regularly as appropriate to reflect the ever changing regulatory requirements and corporate governance development. The Board believes that the high standards of corporate governance is the essential core for sustaining the Group's long term performance and value creation for our Shareholders, the investing public and the other stakeholders.

The Company also recognises the importance of integrity, ethical conduct, and responsible business practices, which are instilled and continually reinforced across the Group. It strives to foster a culture of compliance, good corporate governance, and ethical behaviour with its stakeholders to build trust and credibility.

The Board has established the Company's purpose, values, and strategy, and has satisfied itself that the Company's culture is aligned. By acting with integrity and leading by example, the Directors will further and continue to promote the desired culture within the Group.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving high corporate governance standards.

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

The Company has adopted and applied the principles as set out in the CG Code. The Board is of the view that during the Reporting Period, the Company has complied with all the applicable principles and code provisions as set out in the CG Code.

The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

We have also adopted our own code of conduct, the Securities Transactions Code, which applies to all Directors on terms not less exacting than the required standard indicated by the Model Code as set out in Appendix C3 to the Listing Rules.

Specific enquiries have been made of all the Directors and they have confirmed that they have complied with the Securities Transactions Code throughout the Reporting Period.

The Group's employees, who are likely to be in possession of unpublished inside information of the Group, are subject to the Model Code. No incident of non-compliance of the Model Code by the employees of the Group was noted by the Company as at the date of this report.

BOARD OF DIRECTORS

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established five Board committees including the Audit Committee, the Compensation Committee, the Nomination Committee, the Strategy Committee and the Investment Committee. The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference. For details of the composition of the Board, please see the paragraphs headed "Composition" in this Corporate Governance Report and "Directors" in the Report of the Directors.

All Directors have carried out their duties in good faith and in compliance with applicable laws and regulations, and have acted in the interests of the Company and the Shareholders at all times.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Company has arranged appropriate liability insurance in respect of legal action against the Directors. The insurance coverage will be reviewed on an annual basis.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company and is collectively responsible for directing and supervising the Company's affairs. The Board directly, and indirectly through its committees, leads and provides direction to the 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 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.

Continuous Professional Development of Directors

The Company believes education and training are important for maintaining an effective Board. Every Director should participate in continuous professional development to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Every newly appointed Director during the Reporting Period have received formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

The Company arranges continuous professional development for Directors such as updates by its compliance counsel to ensure Directors keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant. During the year ended December 31, 2023, all Directors were regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. Internally-facilitated briefings for Directors would be arranged and reading materials on relevant topics would be provided to Directors where appropriate. Directors also regularly meet with the senior management team to understand the Group's businesses, governance policies and regulatory environment. All Directors are also encouraged to attend relevant training courses.

According to the records provided by the Directors, the training attended by all the Directors for the year ended December 31, 2023 is summarized as follows:

Name of Directors	Topic of Training Covered
Executive Director	
Dr. Jianxin Yang	(1), (2)
Non-executive Directors	
Dr. Wei Li	(1), (2)
Mr. Kenneth Walton Hitchner III	(1), (2)
Mr. Xianghong Lin	(1), (2)
Mr. Edward Hu	(1), (2)
Mr. Yanling Cao *(resigned on January 18, 2023)*	N/A
Independent Non-executive Directors	
Dr. Paul Herbert Chew	(1), (2)
Mr. Ting Yuk Anthony Wu	(1), (2)
Mr. Hongbin Sun	(1), (2)

Notes:

(1) Attending the training for Directors covering a wide range of topics, including but not limited to the management of inside information, discloseable transactions and connected transactions, duty of disclosure of interests, the laws applicable to the Company and the Company's continuing compliance obligations.

(2) Reading relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors and duty of disclosure of interests.

Composition

As at the date of this report, the Board comprises eight Directors, with one executive Director, four non-executive Directors and three independent non-executive Directors. Dr. Wei Li is the chairman of the Board. With effect from January 18, 2023, Dr. Yanling Cao resigned as a non-executive Director. Apart from the foregoing, there is no change to the composition of the Board during the Reporting Period. A list of Directors and their respective biographies are set out in the section headed "Directors and Senior Management" of this report. As at the date of this report, to the best knowledge of the Company, there has been no financial, business, family, or other material/relevant relationships among members of the Board.

The Board's composition is in compliance with the requirement under Rule 3.10A of the Listing Rules that the number of independent non-executive Directors must represent at least one-third of the Board. The Board believes that the balance between the executive Director and the non-executive Directors is reasonable and adequate to provide sufficient checks and balances that safeguard the interests of the Shareholders and the Group.

The Board values the importance of professional judgment and advice provided by non-executive Directors to safeguard the interests of the Shareholders. The non-executive Directors contribute diversified qualifications and experience to the Group by expressing their views in professional, constructive and informed manner, and actively participate in Board and committee meetings and to bring professional judgment and advice on issues relating to the Group's strategies, policies, performance, accountability, resources, key appointments, standards of conduct, conflicts of interests and management process, with the Shareholders' interests being the utmost important factor. The non-executive Directors also exercise their professional judgment and utilise their expertise to scrutinise the Company's performance in achieving agreed corporate goals, and monitor performance reporting.

Further, in compliance with Rule 3.10 of the Listing Rules, two of the Company's independent non-executive Directors (namely Mr. Ting Yuk Anthony Wu and Mr. Hongbin Sun) have the appropriate professional qualifications of accounting or related financial management expertise, and provide valuable advice from time to time to the Board. The Company has also received from each independent non-executive Director an annual confirmation of his independence and the Nomination Committee has conducted an annual review and considers that all independent non-executive Directors are independent, taking into account of the independence guidelines set out in Rule 3.13 of the Listing Rules in the context of the length of service of each independent non-executive Director.

As part of the Company's corporate governance practice to provide transparency to the investor community and in compliance with the Listing Rules and the CG Code, the independent non-executive Directors are clearly identified in all corporate communications containing the names of the Directors. In addition, an up-to-date list of Directors identifying the independent non-executive Directors and the roles and functions of the Directors is maintained on the Company's website and the Stock Exchange's website.

Appointments and Re-election of Directors

The Company entered into letters of appointment with Mr. Ting Yuk Anthony Wu, Mr. Edward Hu and Mr. Kenneth Walton Hitchner III, on January 11, 2018, July 9, 2021 and December 10, 2021, respectively. Mr. Kenneth Walton Hitchner III, Mr. Edward Hu and Mr. Ting Yuk Anthony Wu will be subject to re-election at the forthcoming AGM of the Company and their appointment shall continue for a period of three years and until the conclusion of the third AGM of the Company after his re-election or such earlier date pursuant to the Articles of Association.

Each of the non-executive Directors and INEDs has entered into a letter of appointment with the Company for a term of two to three years (subject to retirement as and when required under the Articles of Association) or until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month's prior notice in writing.

During the Reporting Period, the Company has not entered into any other service contract with any of its other Directors. None of the Directors has entered into a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation), and no remunerations have been paid to Directors by the Company in the capacity of them as Directors in the Company.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. In accordance with the Articles of Association, all Directors are subject to retirement by at least once every three years and any new Director appointed to fill a casual vacancy shall submit himself for re-election by the Shareholders at the first AGM of the Company after appointment and new Directors appointed as an addition to the Board shall submit himself/herself for re-election by the Shareholders at the next following AGM of the Company after appointment.

The Nomination Committee is responsible for reviewing the Board composition and making recommendations to the Board on the appointment or re-election of Directors and succession planning for Directors.

Board Meetings

The Board held 5 meetings during the Reporting Period for discussing and approving the operation and business development of the Company, including without limitation, change in Directors, financial budget and financial statements and amendments to relevant equity incentive plans of the Company. The attendance of each Director at the Board and committee meetings of the Company during the Reporting Period, whether in person or by means of electronic communication, is detailed in the table below:

	Attendance/No. of Meetings held during the Reporting Period						
Name of Directors	Board	Audit Committee[1]	Compensation Committee[2]	Nomination Committee[3]	Strategy Committee[4]	Investment Committee[5]	General Meetings[6]
Executive Director							
Jianxin Yang	5/5	N/A	N/A	N/A	N/A	N/A	2/2
Non-executive Directors							
Wei Li	5/5	N/A	1/1	1/1	N/A	N/A	2/2
Kenneth Walton Hitchner III	5/5	N/A	N/A	N/A	N/A	N/A	0/2
Yanling Cao[7]	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Xianghong Lin	5/5	N/A	N/A	N/A	N/A	N/A	1/2
Edward Hu	5/5	N/A	N/A	N/A	N/A	N/A	1/2
Independent Non-executive Directors							
Paul Herbert Chew	5/5	2/2	1/1	1/1	N/A	N/A	1/2
Ting Yuk Anthony Wu	5/5	2/2	1/1	1/1	N/A	N/A	2/2
Hongbin Sun	5/5	2/2	N/A	1/1	N/A	N/A	2/2

Notes:

(1) The Audit Committee held 2 meetings on March 15 and August 15, 2023, respectively, and all members of the Audit Committee attended the 2 meetings.

(2) The Compensation Committee held 1 meeting on March 15, 2023, and all members of the Compensation Committee attended the meeting.

(3) The Nomination Committee held 1 meeting on March 15, 2023, and all members of the Nomination Committee attended the meeting.

(4) Although no Strategy Committee meeting was held during the Reporting Period, matters relating to long-term strategic positioning, development and implementation have been discussed in Board meetings.

(5) Although no Investment Committee meeting was held during the Reporting Period, matters relating to our investment strategies and risks have been discussed in Board meetings.

(6) The Company held one extraordinary general meeting and one AGM on March 7, 2023 and June 21, 2023, respectively, during the Reporting Period.

(7) Mr. Yanling Cao's resignation as a non-executive Director was effective from January 18, 2023.

During the Reporting Period, apart from the 5 Board meetings held, the Chairman, Dr. Wei Li held one meeting with the three INEDs in the absence of the non-executive Directors and senior management of the Company.

The Company held one extraordinary general meeting and one AGM on March 7, 2023 and June 21, 2023, respectively, during the Reporting Period. All proposed Shareholders' resolutions put forward at the above general meetings were resolved by poll vote and were duly passed. The vote tally of each of such resolutions was set out in the Company's announcements released on the day of the respective general meetings.

Board Independence

During the Reporting Period, the Company has in place various measures and mechanisms underpinning a strong independent Board and that independent views and input are conveyed to the Board. The measures and mechanisms are kept under regular review to ensure their effectiveness and to uphold good corporate governance. The Board reviewed and considered that such mechanisms were properly implemented during 2023 and were effective, they are as follows:

- **Board and Committees' structure.** The Company has been steered by a Board, comprising a majority of non-executive Directors. Board comprises a majority of non-executive Directors and INEDs. The Chief Executive Officer is the only executive Director on the Board, and all the remaining seven Directors, including the Chairman, are non-executive Directors or independent non-executive Directors. Separation of the role of the Chairman and the Chief Executive Officer ensures that there is a balance of power and authority. Other than Dr. Jianxin Yang being the chairman of the Strategy Committee, members of all governance related committees are non-executive Directors or independent non-executive Directors.

- **Appointment of Directors.** In assessing suitability of the candidates, the Nomination Committee will review their character and integrity; qualifications including professional experience, skills and knowledge; diversity in all aspects, including but not limited to gender, age, cultural and educational background; having regard to the Board's composition, the selection criteria approved by the Board, the nomination policy and the board diversity policy.

- **Annual review of Directors' commitment and independence.** The Nomination Committee reviews annually each Director's time commitment to the Group's business. Each INED is required to inform the Stock Exchange as soon as practicable if there is any change in his or her personal particulars that may affect his or her independence. No such notification was received during the year ended December 31, 2023. The Company has received written annual confirmation from each of the INED in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all INED are independent.

- **Conflict management.** A Director who has a material interest in any transaction, contract or arrangement shall not vote (nor shall be counted in the quorum) on any Board resolution approving the same.

- **Professional advice.** To facilitate proper discharge of their duties, 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.

- **Board evaluation.** The quality and efficiency of discussions at Board meetings are assessed during the annual evaluation of the Board's performance.

BOARD COMMITTEES

The Board has established the following committees: Audit Committee, Compensation Committee, Nomination Committee, Strategy Committee and Investment Committee. The committees operate in accordance with their respective terms of reference established by the Board.

Audit Committee

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The Audit Committee consists of three INEDs, namely, Dr. Paul Herbert Chew, Mr. Ting Yuk Anthony Wu and Mr. Hongbin Sun. Mr. Hongbin Sun, being the chairman of the Audit Committee, holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

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

- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- to review the Company's financial and accounting policies and practices;
- to assist our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group, overseeing the audit process and performing other duties and responsibilities as assigned by our Board; and
- to perform corporate governance duties delegated by the Board.

During the Reporting Period, the Audit Committee scheduled two meetings and all the members of the Audit Committee attended the meetings to, among other things, review the interim and annual results, review the financial statements, the risk management and internal control systems and the effectiveness of the Company's internal audit function.

Compensation Committee

The Company has established the Compensation Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. The Compensation Committee consists of one non-executive Director, namely Dr. Wei Li, the chairman of the Board, and two INEDs, namely, Dr. Paul Herbert Chew and Mr. Ting Yuk Anthony Wu. Mr. Ting Yuk Anthony Wu is the chairman of the Compensation Committee.

The primary duties of the Compensation Committee include, but are not limited to, the following: (i) making recommendations to the Board of Directors on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing the policy on such remuneration; (ii) determining the specific remuneration packages of all Directors and senior management; (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time; and (iv) reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules.

During the Reporting Period, the Compensation Committee scheduled one meeting and all the members of the Compensation Committee attended the meeting to, among other things, review the remuneration policy and structure for the Directors and senior management, make recommendations to the Board on determining the annual remuneration packages of the Directors and the senior management and other related matters, and assess and review performance of the Directors and senior management.

On January 6, 2023 and November 8, 2023, 4,340,000 share options and 14,000,000 share options were re-granted and granted to Dr. Jianxin Yang, respectively. Having taken into account of the number of share options previously granted to Dr. Jianxin Yang, the Board and the Compensation Committee considered that the re-grant of 4,340,000 share options and the grant of 14,000,000 share options to Dr. Jianxin Yang were to provide incentives for Dr. Jianxin Yang to exert maximum efforts and reward his continued efforts for the success of the Group, which is in line with purpose of the Post-IPO ESOP of the Company, among other things, to encourage, motivate and provide additional incentives to selected participants in achieving performance goals and align their interests directly with the best interests of the Company and the Shareholders through ownership of Shares.

Saved as disclosed in the announcements of the Company dated January 6, 2023 and November 8, 2023, no other material matters relating to share schemes (as defined under Chapter 17 of the Listing Rules) required the Compensation Committee to review or approve. For details of our emolument policy and remuneration of our directors and senior management, please refer to the sections headed "Emolument Policy and Directors' Remuneration" and "Remuneration of Directors and Senior Management".

Nomination Committee

The Company has established the Nomination Committee with written terms of reference in compliance with the CG Code. The Nomination Committee consists of one non-executive Director, namely, Dr. Wei Li, and three INEDs, namely, Dr. Paul Herbert Chew, Mr. Ting Yuk Anthony Wu and Mr. Hongbin Sun. Dr. Wei Li, the chairman of the Board, is also the chairman of the Nomination Committee. Mr. Yanling Cao ceased to be a member of the Nomination Committee with effect from January 18, 2023.

The primary duties of the Nomination Committee include, without limitation, reviewing the structure, size, composition and diversity of the Board, assessing the independence of INEDs and making recommendations to the Board on matters relating to the appointment of Directors.

The Company recognizes and embraces the benefits of having a diverse Board to capture different talents so as to further bolster the Board's performance. This would also enable the Company in achieving a sustainable and balanced development in the long run. The Board has adopted a board diversity policy during the Reporting Period in order to enhance the effectiveness of the Board and to maintain a high standard of corporate governance. The Board is committed to promote diversity in the Company to the extent practicable by taking into consideration a number of factors in respect of the Company's corporate governance structure.

In 2023, the Company hired 115 full-time employees, of which 62 were male and 53 were female. The gender ratio in the workforce (including senior management) was approximately 5 males to 10 females. In recognizing the particular importance of gender diversity and that gender diversity at the Board level and the workforce can be improved, the Company is using its best endeavours to ensure there is gender diversity when recruiting staff at a mid to senior level so that it will have a pipeline of female employees (including senior management) and potential successors to the Board and engage more resources in training female staff who have extensive and relevant experience in its business, with the aim of promoting them to the senior management or directorship of the Group. As female representation in senior roles throughout the economy and the pool of qualified females keeps growing, the Company expects to appoint at least one female director who would be qualified to sit on the Board no later than December 31, 2024 in compliance with the Listing Rules, subject to the Directors:

(i) being satisfied with the competence and experience of the relevant candidate based on reasonable criteria; and

(ii) fulfilling their fiduciary duties to act in the best interests of the Company and the Shareholders as a whole when considering the appointment. The Company believes that such merit-based selection process with reference to its diversity policy and the nature of its business will be in the best interests of the Company and the Shareholders as a whole.

The Company has adopted the nomination and board diversity policy in relation to the nomination, appointment, re-appointment of new Directors and the nomination procedure of the Company, which provides the factors to consider in evaluating and selecting any candidate for directorship and sets out the objective and approach to achieve and maintain diversity of the Board in order to enhance the effectiveness of the Board. Pursuant to the policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to, professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. The Board is of the view that the Company has achieved these objectives during the Reporting Period, as the Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of business management, biotech, clinical research, life science, finance, investment, auditing and accounting. They obtained degrees in various areas including medicine, immunology, chemistry, chemical physics, chemical engineering, pharmaceutical analysis, economics and accounting. Furthermore, the Directors range from 48 years old to 72 years old.

The Board is also committed to adopting a similar approach to promote diversity of the management (including but not limited to the senior management) of the Company to enhance the effectiveness of corporate governance of the Company as a whole. The Board will select potential Board candidates based on merit and his/her potential contribution to the Board while taking into account the Board Diversity Policy and other factors including but not limited to, his/her integration into our management mindset and business model and any specific requirements from time to time.

The Nomination Committee is delegated by the Board to be responsible for compliance with relevant codes governing board diversity under the CG Code. The Nomination Committee will continue to review the board diversity policy from time to time to ensure its continued effectiveness.

During the Reporting Period, the Nomination Committee scheduled one meeting and all the members of the Nomination Committee attended the meeting to, among other things, review structure, size and composition of the Board and make recommendations to the Board regarding any proposed changes, assess the independence of the independent non-executive Directors, make recommendation to the Board on the re-appointment of the Directors, review the board diversity policy and training and continuing professional development for the Directors and senior management of the Company.

The director nomination procedures and process: (a) the Nomination Committee shall first review and assess factors relating to the diversity of the Board, including but not limited to professional experience, skill, knowledge and length of service, gender, age, cultural and education background, and give consideration to the candidate's willingness to devote adequate time to the Board and independence of each INED based on the requirements of the Listing Rules as amended from time to time; (b) the Nomination Committee shall then nominate suitable candidates to the Board based on the then-current and anticipated future leadership needs of the Company, with a view to achieving a sustainable and balanced development of the Company; and (c) the Nomination Committee shall also monitor and review the implementation of the nomination policy, as appropriate from time to time, and will report to the Board annually.

Strategy Committee

The Company has established the Strategy Committee which consists of one executive Director, namely, Dr. Jianxin Yang, one non-executive Director, namely, Mr. Edward Hu and one INED, namely, Dr. Paul Herbert Chew. Dr. Jianxin Yang, our CEO and executive Director, is the chairman of the Strategy Committee.

The primary duties of the Strategy Committee are to review and advise on the Company's mid to long term strategic positioning and development plans and to monitor the implementations of the development plans.

Although no Strategy Committee meeting was held during the Reporting Period, matters relating to long-term strategic positioning, development and implementation have been discussed in Board meetings.

Investment Committee

The Company has established the Investment Committee which consists of two non-executive Directors, namely, Mr. Edward Hu and Mr. Kenneth Walton Hitchner III, and one INED, namely, Mr. Hongbin Sun. Mr. Edward Hu is the chairman of the Investment Committee.

The primary duties of the Investment Committee include but are not limited to:

- formation of investment strategy;
- review and authorization of investment related policies and procedures, and ensure policies are strictly executed and followed;
- reviewing investment performance and advising the Board on their investment of cash, cash equivalents, financial assets, deposits, cash collateral, funds and equity shares (as applicable), taking into account of the relevant risks, necessary constraints on the deployment of the various sources and purposes of the funds to enhance the Company's investment returns;
- discussing, formulating views and advising the Board on asset allocation, selection of external portfolio investment advisor/fund manager(s) and quantum to be invested with collective investment schemes/ fund managers and appointment of custodian(s);
- approval of key investment activities and to determine whether such investment is in the interests of the Company and the shareholders of the Company as a whole, including acquisition and dispossession of investments and material matters in post-investment management;
- monitoring on investment discipline, performance and post-investment management; and
- other responsibilities delegated by the Board.

Although no Investment Committee meeting was held during the Reporting Period, matters relating to investment strategy and risks have been discussed in Board meetings.

Corporate Governance Function

As no corporate governance committee has been established, the Board is responsible for, among other things, formulating and reviewing the policies and practices on corporate governance of the Group and making recommendations to the Board, reviewing and monitoring the policies and practices on compliance with legal and regulatory requirements, reviewing and monitoring the training and continuous professional development of the Directors and senior management, developing, reviewing and monitoring the code of conduct applicable to employees and directors and reviewing the corporate governance compliance with the CG Code and the disclosures in the Corporate Governance Report.

The Corporate Governance Report has been reviewed by the Board in the discharge of its corporate governance function during the Reporting Period.

DELEGATION BY THE BOARD

The Board delegates its powers and authorities from time to time to the Board Committees in order to ensure operational efficiency and that specific issues are being handled by personnel with the relevant expertise. The segregation of duties and responsibilities between the Board and the management has been clearly defined and provided as internal guidelines of the Company.

The types of decisions which are to be taken by the Board include those relating to:

- corporate and capital structure;
- corporate strategy;
- significant policies affecting the Company as a whole and material changes thereof;
- business plan, budgets and any subsequent material changes, material public announcements and matters referred to the Board by Board Committees;
- key financial matters;
- appointment, removal or reappointment of Board members, senior management and auditor;
- remuneration of Directors and senior management; and
- communication with key stakeholders, including Shareholders and regulatory bodies.

The types of decisions that the Board has delegated to the management include:

- approving the extension of the Group's activities not in a material manner into a new geographic location or a new business;
- approving assessing and monitoring the performance of all business units and ensuring that all necessary corrective actions have been taken;
- approving external payments up to a certain limit;
- conducting investments in line with the investment policy of the Company and under the Investment Committee's instructions;
- approving the entering into of any connected transactions not requiring disclosure under the Listing Rules;
- approving the nomination and appointment of personnel other than the member of the Board, senior management and auditor;
- approving press release concerning matters decided by the Board;
- approving any matters related to routine matters or day-to-day operation of the Group (including the entering into of any transaction not requiring disclosure under the Listing Rules and cessation of nonmaterial part of the Group's business); and
- carrying out any other duties as the Board may delegate from time to time.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board takes overall responsibility for risk management and internal control systems, and is responsible for reviewing the effectiveness of these systems, evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and ensuring that the Company maintains robust and effective risk management and internal control systems (including reviewing the relevant functions), so as to safeguard shareholders' investment and the Company's assets. The Company has continued to make efforts to strengthen and improve its risk management and internal control systems as well as enhance the control procedures, so as to improve operating efficiencies and reduce operating risks. The risk management and internal control systems 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 misstatements or loss.

Risk Management

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

We have adopted a consolidated set of risk management policies which set out a risk management framework to identify, assess, evaluate and monitor key risks associated with our strategic objectives and remediation action plans on an on-going basis. The legal and finance departments of the Company will conduct independent review on the sufficiency and effectiveness of the risk management and internal control system. Our Audit Committee, and ultimately our directors, will supervise the implementation of our risk management policies from time to time. The monitoring and the internal control measures of management at different levels of the Company are the first defence of risk management and internal control; the senior management (including risk management and financial control) of the Company is the second defence of risk management and internal control; the Audit Committee under the Board and legal and finance department are the third defence of risk management and internal control.

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

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

Our Vice President of Finance will be responsible for (i) formulating and updating our risk management policy and target; (ii) reviewing and approving major risk management issues of our Company; (iii) promulgating risk management measures; (iv) providing guidance on our risk management approach to the relevant departments in our Company; (v) reviewing the relevant departments' reporting on key risks and providing feedback; (vi) supervising the implementation of our risk management measures by the relevant departments; (vii) ensuring that the appropriate structure, processes and competences are in place across our Group; and (viii) reporting to our Audit Committee on our material risks.

The relevant departments in our Company, including the finance department, the legal & compliance department and the operations & human resources department, are responsible for implementing our risk management policy and carrying out our day-to-day risk management practice. In order to formalize risk management across our Group and set a common level of transparency and risk management performance, the relevant departments will (i) gather information about the risks relating to their operation or function; (ii) conduct risk assessments, which include the identification, prioritization, measurement and categorization of all key risks that could potentially affect their objectives; (iii) prepare a risk management report annually for our senior management team'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 our risk management framework.

In order to further improve the risk management and internal control systems, establish good systems and work procedure, execute and implement work monitoring, fulfil a full work flow risk management system to achieve early prevention, and better monitor at present and subsequent follow-up and implementation of such systems, the Company has organized each functional department to review and update the various management systems of the Group from time to time.

Internal Control

Our Board is responsible for establishing our internal control system and reviewing its effectiveness. Our Audit Committee assists the Board in leading the management and overseeing the design, implementation and monitoring of the internal control systems.

During the Reporting Period, we conducted two reviews on our internal control system designed to manage the risks and uncertainties that may cause the Group's financial conditions or business performance to be materially different from the expected or historical results. Below is a summary of the internal control policies, measures and procedures we have implemented:

- We have adopted various measures and procedures regarding each aspect of our business operation, such as protection of intellectual property, environmental protection and occupational health and safety.

- We have developed standard operating procedures governing our activities including an integrated procurement-to-pay process, standardized expense accrual methodology and budgeting and tracking mechanism.

- We have established the enterprise resource planning system, an automated and standardized procedure to increase transparency and efficiency in monitoring online vendor registration and purchase requisition and online contract management.

- We provided our employees with our employee handbook and the code of conduct, as amended from time to time. To strengthen compliance awareness, we established the employee orientation program and also provide periodic internal and external compliance training to our employees as part of our employee training program.

- Our Directors (who are responsible for monitoring the corporate governance of our Group) with help from our legal advisors, conduct periodic review of our compliance status with all relevant laws and regulations.

- Our Audit Committee assists the Board to monitor the effectiveness of the risk management and internal control systems. Our Audit Committee maintains regular dialogue with the Company's external auditors and conducts review of the Company's financial statements. After completion of its internal audit, our Audit Committee made recommendations to our Directors on the appointment and removal of external auditors and rendered advice in respect of financial reporting as well as oversee internal control procedures of our Group. The Company has established a compliance committee to review grants and sponsorships and other compliance initiatives to enhance compliance awareness through daily guidance.

- Our Board evaluated the design and operating effectiveness of the internal control systems of the Company and did not identify any material weaknesses as a result of the evaluation, except for the internal control weaknesses identified by the independent internal control advisor we have engaged, which are subject to certain rectification measures.

- We have engaged a PRC law firm to advise us on and keep us abreast with PRC laws and regulations on a regular basis (especially for the pharmaceutical and life science sector). We will continue to arrange various trainings to be provided by external advisors from time to time when necessary and/or any appropriate accredited institution to update our Directors, senior management, and relevant employees on the latest PRC laws and regulations.

- Our Investment Committee assists the Board to deal with investment related matters, which is responsible for approving the Company's investment strategy, developing investment policies and processes, approving investment decisions and reviewing investment performance.

- We have provided trainings to senior management and the accounting and finance personnel, in particular, on further strengthening internal financial and accounting policies, preparation of comprehensive accounting memo to support the accounting basis for complex or significant transactions.

- We have adopted and circulated a detailed guideline relating to notifiable and connected transactions under the Listing Rules and arranged trainings provided by our legal advisors to the Directors, senior management and accounting and finance personnel on regular basis, on the Listing Rules, particularly in relation to the subscription of different types of financial products aiming to strengthen their understanding to identify the circumstances which are expected to trigger the announcement requirement under the Listing Rules and potential issues at an early stage to avoid the recurrence of delay in disclosure for future subscriptions of financial products should such obligations arise.

- We have adopted policies to ensure compliance with the Listing Rules when entering into any relevant potential transactions, pursuant to which, we performed and will perform size test analysis with accounting and finance personnel and consulted and will consult with the legal department and external counsel.

We have adopted an anti-corruption policy to promote an ethical culture, to minimize the Group's operation risks and to protect our and our Shareholders' interests as a whole. Such policy encourages all employees (including senior management) to report any suspicious fraudulent activities or misconducts through relevant procedures in accordance with the policy. For instance, we have established and will continue to maintain strict anti-corruption policies among our sales personnel and distributors in our upcoming sales and marketing activities. We will also ensure that our sales and marketing personnel comply with applicable promotion and advertising requirements, which include restrictions on promoting drugs for unapproved uses or patient populations, and limitations on industry sponsored scientific and educational activities.

Our Board and senior management also strive to promote an ethical culture within our Company. We also have a whistle blowing policy that serves the purpose of establishing whistleblowing procedures for employees and other relevant external parties of our Company, in order to report and escalate any suspicious misconducts. In accordance with the policy, we protect all whistleblowers from any kind of retaliation. All the information provided by the whistleblowers will be strictly confidential.

Investment Risk Management

We may engage in short-term investments with surplus cash on hand. Our primary objective for short-term investments is to preserve principal through the minimization of both default and market risk. During the Reporting Period, our finance department, under the supervision of our Vice President of Finance, is responsible for managing our short-term investment activities. Before making a proposal to invest in wealth management products, our finance department must assess our cash flow and operational needs and capital expenditures. On May 31, 2022, the Company also established a new Investment Committee which is responsible for approving the Company's investment strategy, developing investment policies and processes, approving investment decisions and reviewing investment performance. For details, please refer to the section headed "Board Committees – Investment Committee."

We operate under a Board approved investment policy which governs the investment of our funds and is reviewed from time to time by our Board. Our investment policy only allows investment in a specific list of instruments for investment, including US government securities, US corporate securities, US municipal securities, US money bank obligations and money market funds backed by the above instruments. To ensure a diversified portfolio holding, no purchase of any single issuer can represent more than five percent of the total portfolio market value at the time of purchase, with the exception of the U.S. government, its agencies, or municipals defeased with U.S. government securities for which no limit is imposed.

Our investment strategy strives to minimize risk by reasonably and conservatively matching the maturities of the portfolio securities to anticipated operating cash requirements. Our investment decisions are made on a case-by-case basis that considers multiple factors, such as general market conditions and the anticipated benefit and potential loss of the investment.

Our portfolios to date have been required to hold only instruments with an effective final maturity of 12 months or less, with effective final maturity being defined either as the obligation of the issuer to repay principal and interest or the discretionary ability to put the security back to the issuer. The initial target range for the average maturity of our portfolio is 12 months. Our investments to date have been required to be denominated and held in U.S. dollars with readily ascertainable market value. We do not invest in any derivative securities.

Effectiveness of Risk Management and Internal Control

The Audit Committee, on behalf of the Board, continuously reviews the risk management and internal control systems. The review process comprises, among other things, meetings with management of business groups, internal audit team, legal personnel and the external auditors, reviewing the relevant work reports and information of key performance indicators, and discussing the major risks with the senior management of the Company. During the Reporting Period, among other things, the Board has reviewed the Group's financial operation and compliance controls, the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting, internal audit, financial reporting functions, and those relating to the Group's environmental, social and governance performance and reporting. The management had conducted a review of the effectiveness of the risk management and internal control systems of the Group and processes for financial reporting and Listing Rules compliance for the year ended December 31, 2023 and considered them effective and adequate.

Furthermore, while the Company does not have an internal audit department, the Company has an internal audit function performed by the Board's audit committee and the senior management. Company has engaged external consultant to (i) perform audit on key functions that may impose risks (such as procurement and payment), and (ii) review and enhance internal control, risk management on investment, payment and bank account management. The Company considers that the above arrangement in place has met the requirements for an internal audit function and it will continue to assess whether there is a need to set up a standalone internal audit department to further enhance the effectiveness of the Company's internal controls. The Audit Committee has reviewed the Company's internal audit function and the internal control systems for the year ended December 31, 2023. A confirmation regarding the effectiveness of these systems has been provided to the Board for the year ended December 31, 2023.

In addition, the Board believes that the Company's accounting and financial reporting functions have been performed by staff of the appropriate qualifications and experience and that such staff receives appropriate and sufficient training and development. Through the above-mentioned series of Rectification Measures, the Company has been and will be able to achieve an effective and adequate risk management and internal control. As part of the Rectification Measures, the Board will provide trainings to senior management and the accounting and finance personnel in relation to the investment related policies and the Listing Rules, which the Board believes will enable the qualifications and experiences of the staff in the areas of accounting, internal audit and the financial reporting functions to be adequate.

Policy on the Disclosure of Inside Information

The Company has put in place an internal policy for the handling and disclosure of inside information in compliance with the SFO. The internal policy sets out the procedures and internal controls for the handling and dissemination of inside information in a timely manner and provides the Directors, senior management and relevant employees a general guide in monitoring information disclosure and responding to enquiries.

Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited. The Board is aware of its obligations to announce any inside information in accordance with the Listing Rules.

SHAREHOLDERS

Communication with Shareholders and Investor Relations

The Company strives to provide ready, equal, regular and timely disclosure of information that is material to the investor community. As such, the Company has developed and maintains the Shareholders' communication policy, which is available on the Company's website. In accordance with such policy, the Company works to maintain effective and on-going communication with Shareholders so that they, along with prospective investors, can exercise their rights in an informed manner based on a good understanding of the Group's operations, businesses and financial information. The Company also encourages Shareholders' active participation in annual general meetings and other general meetings or other proper means. To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting. The Company also maintains a corporate website (www.cstonepharma.com) to keep Shareholders and the investing public posted of the Company's latest business developments, final and interim results announcements, financial reports, public announcements, corporate governance policies and practices and other relevant shareholder information.

After the Board has reviewed the afore-mentioned implementation and effectiveness of the Shareholders' Communication Policy including steps taken at the AGM and the handling of queries received (if any) which were conducted during the year ended 31 December 2023, we are of the view that the implementation of the Shareholders' communication policy is satisfactory and effective during the Reporting Period.

A summary of the disclosure of interests of the substantial shareholders of the Company is set out in "Report of the Directors" of this annual report.

Convening of Extraordinary General Meeting and Putting Forward Proposals

Any one or more members holding as of date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition, to require an extraordinary general meeting of the Company to be called by the Board for the transaction of any business specified in such requisition. A written requisition shall be deposited with our joint company secretaries at the principal office of the Company in Hong Kong at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong. If within 21 days of such deposit the Board fails to proceed to convene such 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 do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

There are no provisions in the Articles of Association or in the Cayman Companies Act for putting forward proposals of new resolutions by Shareholders at general meetings. Shareholders who wish to move forward a resolution may request the Company to convene a general meeting in accordance with the procedures mentioned above.

As regards to proposing a person for election as a Director, the procedures are available on the website of the Company.

Enquiries to the Board

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar in Hong Kong, namely, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Shareholders who wish to put enquiries to the Board can send their enquiries to the office of the Company at 22/F, New Bund Times Square, No. 399 West Haiyang Road, Pudong New District, Shanghai, People's Republic of China or send email to ir@cstonepharma.com. Shareholders may at any time make a request for the Company's information to the extent such information is publicly available. Corporate communication of the Company will be provided to Shareholders in plain language and in both English and Chinese versions to facilitate Shareholders' understanding. Shareholders have the right to choose the means of receipt of the corporate communications (in hard copy or through electronic means).

Dividend Policy

Subject to the Articles of Association and other applicable laws and regulations, the Company targets to formalize its dividend policy once the Group commences to have products approved for commercial sale and generate revenue from product sales. Any proposed distribution of dividends will be subject to the discretion of the Board and the approval of the Shareholders. Recommendations for distribution of dividends will be made after taking into account the results of operations, financial condition, operating requirements, capital requirements, Shareholders' interests and any other conditions that the Board may deem relevant.

As at December 31, 2023, no arrangement was reached pursuant to which the shareholders of the Company waived or agreed to waive their dividends.

JOINT COMPANY SECRETARIES

As at the date of this report, Ms. Yin Kwan Ho, a Vice President of SWCS Corporate Services Group (Hong Kong) Limited, together with Ms. Weicong Ni, who was the primary contact person whom Ms. Yin Kwan Ho contacted, serve as the joint company secretaries of the Company, and each of them has taken no less than 15 hours of relevant professional training during the Reporting Period and has complied with Rule 3.29 of the Listing Rules in relation to the professional training requirements.

Reference is made to the Company's announcements dated January 18, 2023. Mr. Ning He resigned as a joint company secretary of the Company on January 18, 2023; Ms. Weicong Ni, our chief financial officer, was appointed as a joint company secretary of the Company with effect from January 18, 2023.

For more information on Ms. Weicong Ni and Ms. Yin Kwan Ho, please refer to the Company's announcement dated January 18, 2023.

DIRECTORS AND OFFICERS LIABILITY INSURANCE

The Company has arranged appropriate liability insurance in respect of legal action against the Directors. The insurance coverage will be reviewed on an annual basis.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENT

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2023, and 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 about their reporting responsibilities on the financial statements is set out in the section headed "Independent Auditor's Report".

AUDITOR'S REMUNERATION

The remuneration for the audit and non-audit services provided by the auditors to the Group during the Reporting Period was approximately as follows:

Type of Services	Total fees paid and payable *(RMB'000)*
Audit services	2,214
Non-audit services	
Interim review service	1,236
Compliance service and tax service	285
Total	3,735

Note: The Company appointed Deloitte Touche Tohmatsu, Certified Public Accountants as the external auditor for the year ended December 31, 2023. A statement by Deloitte about their reporting responsibilities for the financial statements is included in the Independent Auditor's Report on pages 99 to 102 of this annual report.

CHANGE IN CONSTITUTIONAL DOCUMENTS

The Company adopted the fifth amended and restated memorandum and articles of association adopted on June 21, 2023, which has been effective on the same date. For the year ended December 31, 2023, the said amended and restated memorandum and articles of association did not have any change.

With effect from December 31, 2023, the Listing Rules have been amended to expand the paperless listing regime. As such, the Board proposes to amend the existing Articles of Association for the purposes of, among others, (i) bringing the Articles of Association in line with amendments made to existing Listing Rules; and (ii) making certain consequential and housekeeping amendments to the existing Articles of Association. The proposed amendments to the Articles of Association will be presented to the Shareholders for approval as a special resolution at the forthcoming AGM of the Company.

Deloitte. 德勤

TO THE SHAREHOLDERS OF CSTONE PHARMACEUTICALS
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of CStone Pharmaceuticals (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 103 to 179, which comprise the consolidated statement of financial position at December 31, 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

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

BASIS FOR OPINION

We conducted our audit in accordance with 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 are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants including International Independence Standards (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

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

Key audit matter	How our audit addressed the key audit matter
Cut-off of research and development expenses	
During the year ended December 31, 2023, the Group incurred research and development ("R&D") expenses of RMB527,799,000. The recording of outsourcing service fees to the appropriate financial reporting period and the corresponding accruals at the end of the reporting period were based on the progress of the R&D projects. Outsourcing service fees and corresponding accruals of RMB271,653,000 were accrued at December 31, 2023 as set out in note 22 to the consolidated financial statements. We identified the cut-off of outsourcing service fees and corresponding accruals as a key audit matter due to its significant amount and the risk of not accruing outsourcing service fees and corresponding accruals incurred for services provided by contract research organisations, contract manufacturing organisations and clinical trial centres (collectively referred to as the "Outsourced Service Providers") in the appropriate financial reporting period.	Our procedures in relation to the cut-off of the R&D expenses included: • Obtaining an understanding of key controls of the management's basis and assessment in relation to the accrual process of the R&D expenses, including service fees paid or payable to the Outsourced Service Providers; • For the expenses accrued in relation to the contract research organisations and contract manufacturing organisations at December 31, 2023, checking the respective contract terms and/or milestones of the relevant agreements and evaluating the completion status with reference to the progress reported by the representatives of the relevant service provider, on a sample basis, to determine whether the expenses were recorded based on the respective contract terms and the progress completed; and • For the service fees accrued in relation to clinical trial centres at December 31, 2023, testing the accrual of the clinical trial related costs, on a sample basis, with reference to the clinical trial data and terms of services.

OTHER INFORMATION

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

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

OTHER INFORMATION (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Chan Chun Kit Tommy.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 27, 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended December 31, 2023

	NOTES	2023 RMB'000	2022 RMB'000
Revenue	5	**463,842**	481,363
Cost of revenue		**(159,547)**	(202,985)
Gross profit		**304,295**	278,378
Other income	7	**50,608**	18,722
Other gains and losses	7	**199,544**	(776)
Research and development expenses		**(527,799)**	(614,162)
Selling and marketing expenses		**(199,349)**	(327,301)
Administrative expenses		**(182,714)**	(249,062)
Finance costs	8	**(11,819)**	(8,477)
Loss for the year	9	**(367,234)**	(902,678)
Other comprehensive (expense) income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(770)**	405
Total comprehensive expense for the year		**(368,004)**	(902,273)
Loss per share	13		
– Basic (RMB)		**(0.29)**	(0.77)
– Diluted (RMB)		**(0.29)**	(0.77)

Consolidated Statement of Financial Position

At December 31, 2023

	NOTES	2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment	14	**105,664**	138,379
Right-of-use assets	15	**47,704**	68,187
Intangible assets	16	**173,045**	159,699
Financial assets measured at fair value through profit or loss ("FVTPL")	19	**3,541**	3,482
Other receivables	18	**2,258**	21,763
		332,212	391,510
Current assets			
Account receivables	17	**172,438**	77,133
Deposits, prepayments and other receivables	18	**21,850**	105,505
Inventories	20	**108,828**	22,188
Time deposits with original maturity over three months	21	**30,000**	483,407
Cash and cash equivalents	21	**996,671**	558,684
		1,329,787	1,246,917
Current liabilities			
Account and other payables and accrued expenses	22	**681,442**	869,366
Refund liabilities	23	**22,698**	25,198
Bank borrowings	24	**105,986**	8,567
Contract liabilities	25	**6,885**	–
Lease liabilities	27	**33,327**	36,351
Deferred income	26	**–**	7,000
		850,338	946,482
Net current assets		**479,449**	300,435
Total assets less current liabilities		**811,661**	691,945

Consolidated Statement of Financial Position

At December 31, 2023

	NOTES	2023 RMB'000	2022 RMB'000
Non-current liabilities			
Account payables	22	**68,729**	–
Bank borrowings	24	**213,000**	218,986
Contract liabilities	25	**61,967**	–
Lease liabilities	27	**11,135**	22,386
Deferred income	26	**–**	1,247
		354,831	242,619
Net assets		**456,830**	449,326
Capital and reserves			
Share capital	28	**860**	802
Treasury shares held in the trust	28	**(8)**	(2)
Reserves		**455,978**	448,526
Total equity		**456,830**	449,326

The consolidated financial statements on pages 103 to 179 were approved and authorised for issue by the board of directors of the Company on March 27, 2024 and are signed on its behalf by:

Dr. Jianxin Yang
DIRECTOR

Dr. Wei Li
DIRECTOR

Consolidated Statement of Changes in Equity

For the Year Ended December 31, 2023

	Share capital *RMB'000*	Share premium *RMB'000*	Other reserves *RMB'000 (note a)*	Treasury shares held in the trust *RMB'000*	Share-based payment reserve *RMB'000*	Foreign currency translation reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At January 1, 2022	796	8,464,602	(92,728)	(11)	586,841	(2,677)	(7,749,815)	1,207,008
Loss for the year	–	–	–	–	–	–	(902,678)	(902,678)
Other comprehensive income for the year	–	–	–	–	–	405	–	405
Total comprehensive income (expense) for the year	–	–	–	–	–	405	(902,678)	(902,273)
Restricted stock units exercised under trust *(note 28)*	–	87,931	(10)	10	(87,931)	–	–	–
Recognition of equity-settled share-based payment *(note 29)*	–	–	–	–	142,062	–	–	142,062
Exercise of share options *(note 29)*	5	75,399	–	–	(72,875)	–	–	2,529
Shares issued to trust and converted into treasury shares held in the trust *(note 28)*	1	–	–	(1)	–	–	–	–
At December 31, 2022	802	8,627,932	(92,738)	(2)	568,097	(2,272)	(8,652,493)	449,326
Loss for the year	–	–	–	–	–	–	(367,234)	(367,234)
Other comprehensive expense for the year	–	–	–	–	–	(770)	–	(770)
Total comprehensive expense for the year	–	–	–	–	–	(770)	(367,234)	(368,004)
Restricted stock units exercised under trust *(note 28)*	–	23,045	6	(6)	(23,045)	–	–	–
Recognition of equity-settled share-based payment *(note 29)*	–	–	–	–	36,993	–	–	36,993
Exercise of share options *(note 29)*	–	3,419	–	–	(3,025)	–	–	394
Issue of ordinary shares *(note 28)*	58	338,063	–	–	–	–	–	338,121
At December 31, 2023	860	8,992,459	(92,732)	(8)	579,020	(3,042)	(9,019,727)	456,830

Note:

(a) Other reserves included (1) share-based payment expenses recognised as deemed losses to non-controlling shareholders; (2) differences between (i) the carrying amounts of net assets attributable to the non-controlling shareholders at the date of subscription of paid in capital of 基石藥業(蘇州)有限公司("CStone Suzhou"), and (ii) fair value of the respective conversion features of preferred shares at the date of capital injection and the relevant proceeds received; (3) adjustment to non-controlling interests in CStone Suzhou as a result of additional capital injection by the Company and its subsidiaries (collectively referred to as the "Group"); (4) effect of exercise of put option by a non-controlling shareholder to convert into the equity interests in a subsidiary to the Company's preferred shares; and (5) restricted stock units granted to several employees which were exercised.

Consolidated Statement of Cash Flows

For the Year Ended December 31, 2023

	2023 *RMB'000*	2022 *RMB'000*
OPERATING ACTIVITIES		
Loss for the year	**(367,234)**	(902,678)
Adjustments for:		
Depreciation of property, plant and equipment	**5,636**	6,586
Depreciation of right-of-use assets	**37,999**	25,293
Amortisation of intangible assets	**14,555**	12,661
Net foreign exchange gains	**(12,915)**	(61,492)
Net (gain) loss on fair value changes of financial assets measured at FVTPL	**(59)**	62,028
Provision for inventories	**3,191**	7,715
Write-off of inventories	**5,631**	1,042
Impairment losses recognised on construction in progress	**26,404**	23,412
Share-based payment expenses	**36,993**	142,062
Gain on the disposal of an intangible asset	**(179,467)**	–
Net loss on disposal of property, plant and equipment	**576**	–
Interest income	**(24,886)**	(9,672)
Net gain on fair value of money market funds	**(242)**	(99)
Finance costs	**11,819**	8,477
Government grants income related to property, plant and equipment	**(8,247)**	(451)
Operating cash flows before movements in working capital	**(450,246)**	(685,116)
Interest received	**2,217**	1,726
(Increase) decrease in account receivables	**(95,305)**	40,465
Decrease (increase) in deposits, prepayments and other receivables	**105,203**	(11,656)
(Increase) decrease in inventories	**(95,462)**	30,418
Decrease in account and other payables and accrued expenses	**(121,602)**	(3,100)
Increase in contract liabilities	**68,852**	–
(Decrease) increase in refund liabilities	**(2,500)**	16,520
NET CASH USED IN OPERATING ACTIVITIES	**(588,843)**	(610,743)
INVESTING ACTIVITIES		
Receipt of return from money market funds	**242**	99
Placement of time deposits with maturity over three months	**(67,778)**	(683,407)
Withdrawal of time deposits with maturity over three months	**515,230**	1,077,725
Purchase of intangible assets	**(65,032)**	(101,821)
Proceeds on disposal of an intangible asset	**216,598**	–
Purchase of property, plant and equipment	**(15)**	–
Proceeds on disposal of an property, plant and equipment	**114**	–
Interest received	**20,246**	7,946
Proceeds on disposal of financial assets at FVTPL	**–**	69,391
Payments of rental deposits	**–**	(6,540)
NET CASH FROM INVESTING ACTIVITIES	**619,605**	363,393

Consolidated Statement of Cash Flows

For the Year Ended December 31, 2023

	2023 *RMB'000*	2022 *RMB'000*
FINANCING ACTIVITIES		
Interest paid	**(10,182)**	(11,808)
New bank borrowings raised	**350,000**	113,042
Repayments of bank borrowings	**(258,567)**	(32,000)
Proceeds on issue of ordinary shares	**341,430**	–
Transaction costs attributable to issue of shares	**(3,309)**	–
Exercise of share options	**394**	2,529
Repayments of lease liabilities	**(31,411)**	(43,296)
NET CASH FROM FINANCING ACTIVITIES	**388,355**	28,467
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**419,117**	(218,883)
Effects of foreign exchange rate changes	**18,870**	34,843
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**558,684**	742,724
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**996,671**	558,684

1. GENERAL INFORMATION

CStone Pharmaceuticals (the "Company") is a public limited company incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since February 26, 2019. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company is an investment holding company. The Company's subsidiaries are principally engaged in research and development of highly complex biopharmaceutical products and sale of pharmaceutical products.

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

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

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

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

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

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

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

2.1 Impacts on application of Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 *Income Taxes* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

In accordance with the transition provision:

(i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after January 1, 2022;

(ii) the Group also, as at January 1, 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

The application of the amendments has had no material impact on the Group's financial position and performance, except that the Group disclose the related deferred tax assets and deferred tax liabilities of RMB9,557,000 and RMB11,086,000 respectively on a gross basis in note 12 but it has no impact on the retained earnings at the earliest period presented.

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

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

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

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

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

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

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

Amendments to IFRSs in issue but not yet effective

The Group has not early applied the following amendments to IFRSs that have been issued but are not yet effective:

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

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

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

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

3.1 Basis of preparation of consolidated financial statements

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

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

3.2 Material accounting policy information

Basis of consolidation

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

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

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

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

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

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

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

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

3.2 Material accounting policy information (Continued)

Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in note 5 and note 25.

Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

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

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

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

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

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets

The cost of right-of-use assets includes the amount of the initial measurement of the lease liability.

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

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

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

Refundable rental deposits

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

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

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities

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

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

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

3.2 Material accounting policy information (Continued)

Foreign currencies

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

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

Borrowing costs

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

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

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

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

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

3.2 Material accounting policy information (Continued)

Employee benefits

Retirement benefit costs

Payments to state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Termination benefits

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

Short-term employee benefits

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

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

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

3.2 Material accounting policy information (Continued)

Share-based payments

Equity-settled share-based payment transactions

Share options and restricted share units ("RSUs") granted to employees

Equity-settled share-based payments to employees (including directors of the Company) are measured at the fair value of the equity instruments at the grant date.

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

When share options are exercised, the amount previously recognised in share-based payment reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payment reserve will continue to be held in share-based payment reserve.

When shares and RSUs granted are vested, the amount previously recognised in share-based payment reserve will be transferred to share premium.

The payment to the tax authority to settle an employee's tax obligation is accounted for as a deduction from equity, except to the extent that the payment exceeds the fair value at the net settlement date of the equity instruments withheld.

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

3.2 Material accounting policy information (Continued)

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of transaction does not give rise to equal taxable and deductible temporary differences.

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

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

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

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

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

3.2 Material accounting policy information (Continued)

Taxation (Continued)

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

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

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

Current and deferred taxes are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the research and development or for administrative purposes (other than construction in progress as described below), which are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Construction in progress is carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

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

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

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

3.2 Material accounting policy information (Continued)

Intangible assets

Intangible assets acquired separately

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

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

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

Impairment on property, plant and equipment, right-of-use assets and intangible assets

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

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

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

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

3.2 Material accounting policy information (Continued)

Impairment on property, plant and equipment, right-of-use assets and intangible assets (Continued)

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

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

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

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

3.2 Material accounting policy information (Continued)

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

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

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

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Financial instruments

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

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

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

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

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

All other financial assets are subsequently measured at FVTPL.

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

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

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

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

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

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including account receivables, rental deposits, other receivables, time deposits with original maturity over three months and cash at banks) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for account receivables without significant financing component.

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

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

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under IFRS 9 (Continued)

(i) Significant increase in credit risk

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

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

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

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

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under IFRS 9 (Continued)

(i) Significant increase in credit risk (Continued)

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

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

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

(ii) Definition of default

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

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

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

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under IFRS 9 (Continued)

(iii) Credit-impaired financial assets

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

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

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

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

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

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

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

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

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under IFRS 9 (Continued)

(v) Measurement and recognition of ECL

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

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

Lifetime ECL for the Group's account receivables are assessed individually.

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

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

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

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

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

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

Financial liabilities

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

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgement in applying accounting policies

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

Research and development expenses

Development costs incurred on the Group's drug product pipelines are capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, the Group's intention to complete and the Group's ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Development costs which do not meet these criteria are expensed when incurred. Management will assess the progress of each of the research and development projects and determine the criteria are met for capitalisation. During the years ended December 31, 2022 and 2023, all development costs are expensed when incurred.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Estimation on refund liabilities arising from sales of pharmaceutical products

In estimating the amount of refund liabilities arising from sales of pharmaceutical products, the management of the Group has to make estimation based on its available market information and the expiration dates of the pharmaceutical products sold to estimate the number of returns using the expected value method. The estimation involves high degree of estimation and uncertainty. When the actual return rates are less than expected or more than expected, a material reversal or a material provision of refund liabilities may arise accordingly. At December 31, 2023, the carrying amount of refund liabilities is RMB22,698,000 (2022: RMB25,198,000).

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

Key sources of estimation uncertainty (Continued)

Useful lives of property, plant and equipment, right-of-use assets and intangible assets

The Group's management determines the estimated useful lives and the depreciation method in determining the related depreciation charges for its property, plant and equipment, right-of-use assets and intangible assets. This estimate is referenced to useful lives of property, plant and equipment, right-of-use assets and intangible assets of similar nature and functions in the industry. Management will increase the depreciation charge where useful lives are expected to be shorter than expected, or will write-off or write-down obsolete assets that have been abandoned or sold. At December 31, 2023, the carrying amount of property, plant and equipment, right-of-use assets and intangible assets is RMB105,664,000 (2022: RMB138,379,000), RMB47,704,000 (2022: RMB68,187,000) and RMB173,045,000 (2022: RMB159,699,000) as disclosed in notes 14, 15 and 16, respectively.

Estimated impairment of construction in progress

Construction in progress is stated at costs less accumulated impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; and (2) whether the carrying amount of an asset can be supported by the recoverable amount, in the case of fair value less costs of disposal, the fair value estimation of the related construction in progress. Changing the assumptions and estimates, including the fair value of the related construction in progress, could materially affect the recoverable amounts.

At December 31, 2023, the carrying amounts of construction in progress subject to impairment assessment is RMB101,936,000 (2022: RMB128,350,000), after taking into account the impairment losses of RMB26,404,000 (2022: RMB23,412,000) in respect of construction in progress that have been recognised. Details of the impairment of construction in progress are disclosed in note 14.

5. REVENUE

Disaggregation of revenue from contracts with customers

	For the year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Types of goods or services		
Sales of pharmaceutical products	**336,712**	364,299
License fee income	**95,704**	87,268
Royalty income	**31,426**	29,796
	463,842	481,363
Timing of revenue recognition		
A point in time	**463,842**	481,363

Sales of pharmaceutical products

For the sale of pharmaceutical products, revenue is recognised when control of the goods has been transferred, being when the goods have been delivered to the specified location designated by the customers. Following delivery, the customers have the primary responsibility when selling the goods and bear the risks of obsolescence and loss in relation to the goods. Account receivables are recognised by the Group when the goods are delivered to customers as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. The normal credit term is 60 days upon delivery. Based on the Group's sales contract with customers, the customers can request for the return/exchange of pharmaceutical products within 6 months prior to the expiry of the pharmaceutical products.

License fee income

The Group provides license of its patented intellectual property ("IP") or commercialisation license to customers and revenue is recognised when the customers obtain rights to use the underlying IP or license as the Group does not require undertaking any activities that significantly affect the IP to which the customer has rights nor the rights granted by the license directly expose the customer to any positive or negative effects of the Group activities. License fee income is recognised at a point of time upon the customer obtains the right to use the IP and license.

The consideration for license comprises a fixed element (and upfront payment) and variable elements (including but not limited to development milestones and commercial milestone).

For the variable elements, the Group estimates the amount of consideration to which it will be entitled using the most likely amount, which better predicts the amount of consideration to which the Group will be entitled.

5. REVENUE (Continued)

License fee income (Continued)

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Notwithstanding the above criteria, the Group shall recognise revenue for a sales-based or usage-based royalty promised in exchange for a licence of intellectual property only when (or as) the later of the following events occurs:

- the subsequent sale or usage occurs; and
- the performance obligation to which some or all of the sales-based or usage-based royalty has been allocated has been satisfied (or partially satisfied).

Royalty income

The Group recognised revenue for a sales-based royalty promised in exchange for a licence of intellectual property when the subsequent sale occurs.

6. SEGMENT INFORMATION

The Group has been operating in one reportable segment, being the research and development of highly complex biopharmaceutical products, sale of pharmaceutical products and provide license of its IP or commercialisation license to customers.

The Group's chief operating decision maker ("CODM") has been identified as the chief executive officer of the Group. For the purpose of resource allocation and performance assessment, the CODM reviews the overall results and financial position of the Group prepared based on the same accounting policies as set out in note 3 as a whole.

6. SEGMENT INFORMATION (Continued)

Geographical information

Substantially all of the Group's operation and non-current assets are located in the People's Republic of China (the "PRC"). The geographical information of the Group's revenue, determined based on geographical location of the registered office of the customers, during the year is as follows:

Geographical markets

	For the year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
The PRC (excluding Hong Kong and Taiwan)	**370,234**	476,527
France	**82,717**	–
Others	**10,891**	4,836
	463,842	481,363

Information about major customers

Revenue from the customers of the corresponding years contributing over 10% of the total sales of the Group are as follow:

	For the year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Customer A	**242,314**	287,780
Customer B	**67,130**	97,064
Customer C	**(note)**	73,296
Customer D	**82,717**	NA
Customer E	**60,000**	NA

Note: The Group carried out transactions with this customer for the year ended December 31, 2023 but the amount of the transaction was less than 10% of the total revenue of the Group.

7. OTHER INCOME/OTHER GAINS AND LOSSES

Other income

	For the year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Bank and other interest income	**24,886**	9,672
Government grants income *(note a)*	**17,752**	8,639
Amortisation of payments received for exclusive promotion rights granted *(note b)*	**1,148**	–
Income from sales of scrap materials	**6,705**	411
Others	**117**	–
	50,608	18,722

Notes:

a. Government grants include subsidies from the PRC government which are specifically for (i) the capital expenditure incurred for plant and machinery and is recognised over the useful life of the respective assets; and (ii) other government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

b. The amount represents the amortisation of advance payments received to grant the promotion rights to an independent third party on the pharmaceutical products over the agreed exclusive promotion period as detailed in note 25.

Other gains and losses

	For the year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Net gain (loss) on fair value changes of financial assets measured at FVTPL *(note 19)*	**59**	(62,028)
Net gain on fair value of money market funds *(note 21)*	**242**	99
Net loss on disposal of property, plant and equipment	**(576)**	–
Net foreign exchange gains	**20,360**	61,492
Gain on disposal of an intangible asset *(note)*	**179,467**	–
Others	**(8)**	(339)
	199,544	(776)

Note: In December 2023, CStone Suzhou, has entered into an asset purchase agreement with an independent third party, pursuant to which, the Group transferred to the independent third party all right, tittle and interest in intellectual property owned by the Group related to Ivosidenib. Details of the terms of the transaction are set out in the Company's announcement on December 21, 2023.

8. FINANCE COSTS

	For the year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Interest on lease liabilities	**2,337**	4,265
Interest on bank borrowings	**7,845**	7,543
Interest on defer payment arrangement on account payables *(note 22)*	**1,637**	–
	11,819	11,808
Less: amounts capitalised in the cost of qualifying assets	**–**	(3,331)
	11,819	8,477

9. LOSS FOR THE YEAR

	For the year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Loss for the year has been arrived at after charging (crediting):		
Depreciation of		
Property, plant and equipment	**5,636**	6,586
Right-of-use assets	**37,999**	35,752
Amortisation of intangible assets	**14,555**	12,661
Total depreciation and amortisation	**58,190**	54,999
Less: amounts capitalised in the cost of qualifying assets	**–**	(10,459)
Total depreciation and amortisation charged to profit or loss	**58,190**	44,540
Directors' emoluments *(note 10)*	**59,498**	83,640
Other staff costs:		
Salaries and other allowances, including redundancy cost of amounting to RMB30,957,000 (2022: RMB535,000)	**235,870**	275,206
Performance related bonus	**9,828**	86,381
Retirement benefit scheme contributions	**46,498**	55,896
Share-based payment expenses	**(14,109)**	67,690
	278,087	485,173
	337,585	568,813
Auditor's remuneration	**2,214**	2,100
Impairment losses recognised on construction in progress (included in research and development expenses)	**26,404**	23,412
Write-down of inventories (included in cost of revenue)	**8,822**	8,757
Cost of inventories recognised as cost of revenue	**60,599**	91,754

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors and chief executive

Details of the emoluments paid or payable by the entities comprising the Group to the directors and chief executive officer of the Company (including emoluments for services as employee/directors of the group entities prior to becoming the directors of the Company) for their services during the year, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, are as follows:

Year ended December 31, 2023

	Fee *RMB'000*	Salaries *RMB'000*	Performance related bonus *RMB'000*	Non-cash share-based payment expenses *RMB'000*	Retirement benefit scheme contributions *RMB'000*	Total *RMB'000*
Executive director:						
Jianxin Yang ("Dr. Yang")	–	4,789	2,046	50,973	–	57,808
Non-executive directors:						
Wei Li	–	–	–	–	–	–
Yanling Cao *(note c)*	–	–	–	–	–	–
Xianghong Lin	–	–	–	–	–	–
Kenneth Walton Hitchner III	286	–	–	129	–	415
Edward Hu	–	–	–	–	–	–
Independent non-executive directors:						
Paul Herbert Chew	282	–	–	–	–	282
Ting Yuk Anthony Wu	711	–	–	–	–	711
Hongbin Sun	282	–	–	–	–	282
	1,561	4,789	2,046	51,102	–	59,498

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

Directors and chief executive (Continued)

Year ended December 31, 2022

	Fee *RMB'000*	Salaries *RMB'000*	Performance related bonus *RMB'000*	Non-cash share-based payment expenses *RMB'000*	Retirement benefit scheme contributions *RMB'000*	Total *RMB'000*
Executive directors:						
Frank Ningjun Jiang ("Dr. Jiang") *(note b)*	–	2,539	–	59,356	–	61,895
Dr. Yang *(note a)*	–	3,138	2,111	14,886	–	20,135
Non-executive directors:						
Wei Li	–	–	–	–	–	–
Yanling Cao	–	–	–	–	–	–
Xianghong Lin	–	–	–	–	–	–
Kenneth Walton Hitchner III	269	–	–	130	–	399
Edward Hu	–	–	–	–	–	–
Independent non-executive directors:						
Paul Herbert Chew	269	–	–	–	–	269
Ting Yuk Anthony Wu	673	–	–	–	–	673
Hongbin Sun	269	–	–	–	–	269
	1,480	5,677	2,111	74,372	–	83,640

Notes:

a. Dr. Yang was appointed as executive director and the chief executive officer of the Company on August 25, 2022.

b. Dr. Jiang resigned as executive director and the chief executive officer of the Company on August 25, 2022.

c. Yanling Cao resigned as non-executive director of the Company on January 18, 2023.

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

Directors and chief executive (Continued)

Year ended December 31, 2022 (Continued)

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' emoluments shown above were for their services as directors of the Company and its subsidiaries, if applicable.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

There were no arrangements under which a director of the Company or the chief executive officer waived or agreed to waive any remuneration during both years.

During both years, there are no loans, quasi-loans or other dealings in favour of the directors of the Company, their controlled bodies corporate and connected entities.

There are no significant transactions, arrangements and contracts in relation to the Company'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 both years or at any time during the reporting periods.

During the years ended December 31, 2022 and 2023, no consideration was provided to or receivable by third parties for making available service of directors of the Company.

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

Employees

The five highest paid employees of the Group included one (2022: two) directors of the Company for the year ended December 31, 2023 with details of their emoluments set out above. The emoluments of the remaining four (2022: three) employees are as follows:

	For the year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Salaries and other allowances	**10,116**	7,062
Performance related bonus	**4,717**	4,025
Retirement benefit scheme contributions	**544**	375
Total cash compensation	**15,377**	11,462
Non-cash share-based payment expenses	**24,288**	10,322
	39,665	21,784

The emoluments for the five highest paid individuals (including share-based payment expenses) are within the following bands:

	Number of individuals	
Emolument bands (Hong Kong dollar ("HK$"))	**2023**	2022
5,500,001 to 6,000,000	**1**	1
6,500,001 to 7,000,000	**–**	1
7,500,001 to 8,000,000	**1**	–
9,500,001 to 10,000,000	**1**	–
12,500,001 to 13,000,000	**–**	1
20,000,001 to 20,500,000	**1**	–
23,000,001 to 23,500,000	**–**	1
63,500,001 to 64,000,000	**1**	–
72,000,001 to 72,500,000	**–**	1
	5	5

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

Employees (Continued)

Performance related bonus is determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.

Certain employees and directors of the Company were granted share options or RSUs in respect of their services to the Group. Details of the share-based payment transactions are set out in note 29.

No emoluments were paid by the Group to the directors of the Company or the five highest paid individuals for both years as an inducement to join or upon joining the Group or as compensation for loss of office.

11. DIVIDENDS

No dividend was paid or declared by the Company during the years ended December 31, 2022 and 2023, nor has any dividend been proposed since the end of the reporting period.

12. INCOME TAX EXPENSE

The Company is tax exempt under the laws of the Cayman Islands.

Under the two-tiered profits tax rates regime in Hong Kong, the first HK$2 million of profits sourced in Hong Kong of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. No Hong Kong profit tax was provided as the Group has no assessable profit subject to Hong Kong profit tax for both years.

Under the law of the PRC on Enterprise Income Tax (the "EIT Law") and implementation regulations of the EIT Law, the statutory tax rate of the Company's PRC subsidiaries is 25% for both years.

CStone Suzhou has been accredited as a "High and New Technology Enterprise" by the Science and Technology Bureau of Jiangsu Province and relevant authorities, and has been registered with the local tax authorities for enjoying the reduced 15% Enterprise Income Tax ("EIT") rate from 2022 to 2025.

Under the Treasury Law Amendment (Enterprise Tax Plan Base Rate Entities) Bill 2017 of Australia, corporate entities who qualify a small business entity are eligible for the lower corporate tax rate at 27.5%. CStone Pharmaceuticals Australia Pty, Ltd. ("CStone Australia") is qualified as small business entity and is subject to a corporate tax rate of 27.5% for both years.

Under the US Tax Cuts and Jobs Act, the US corporate income tax rate has charged at flat rate of 21%.

Under the Income Tax Act 1947 of Singapore, Singapore profits tax is charged at the rate of 17% on the estimated assessable profits.

12. INCOME TAX EXPENSE (Continued)

Under the Income Basic Tax Act of Taiwan, Taiwan profits tax is charged at the rate of 20% on the estimated assessable profits above Taiwan New Dollars 120,000.

The income tax expense for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	For the year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Loss before tax	**(367,234)**	(902,678)
Tax charge at the PRC EIT rate of 25%	**(91,808)**	(225,670)
Tax effect of expenses not deductible for tax purpose	**67,745**	42,739
Effect of research and development expenses that are additionally deducted *(note)*	**(40,594)**	(91,180)
Tax effect of tax losses not recognised	**72,900**	279,629
Utilisation of tax losses previously not recognised	**(15,468)**	(13,187)
Tax effect of deductible temporary differences not recognised	**6,113**	7,782
Utilisation of deductible temporary differences previously not recognised	**–**	(113)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**1,112**	–
	–	–

Note: Pursuant to the State Administration of Taxation Announcement No. 7, 2023, CStone Suzhou enjoyed super deduction of 200% (2022:175% pursuant to Caishui 2018 circular No. 99) on qualifying research and development expenditures for 2023.

At December 31, 2023, the Group has unused tax losses of RMB4,816,686,000 (2022: RMB4,512,169,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the remaining tax losses due to the unpredictability of future profit streams.

12. INCOME TAX EXPENSE (Continued)

The unused tax losses will be expired as follows:

	2023 *RMB'000*	2022 *RMB'000*
2023	–	8
2024	–	33,207
2025	–	79,088
2026	**29,416**	143,129
2027	**26,982**	105,536
2028	**120,622**	120,614
2029	**974,383**	941,176
2030	**1,490,960**	1,411,872
2031	**1,308,814**	1,231,245
2032	**191,835**	113,281
2033	**359,655**	–
Indefinite *(note)*	**314,019**	333,013
	4,816,686	4,512,169

Note: At December 31, 2023, tax losses of RMB314,019,000 (2022:RMB333,013,000) is subjected to confirmation by the relevant tax authorities.

At December 31, 2023, the Group has deductible temporary differences of RMB136,860,000 (2022: RMB120,065,000), mainly arising from the impairment of construction in progress, write-down of inventories, deferred income and lease liabilities, available to offset against future profits. Deferred tax assets in respect of deductible temporary differences, arising from lease liabilities have been recognised of RMB44,462,000 (2022:RMB58,737,000). There were no other significant unrecognised temporary differences at the end of each reporting period.

13. LOSS PER SHARE

The calculation of the basic and diluted loss per share for the year is as follows:

	For the year ended December 31,	
	2023	2022
Loss (RMB'000)		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**(367,234)**	(902,678)
Number of shares ('000)		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,263,073**	1,172,839

The calculation of basic and diluted loss per share for both years has excluded the treasury shares held in the trust of the Company (note 28).

Diluted loss per share for both years did not assume the exercise of share options awarded under the employee stock option and the vesting of unvested RSUs (note 29) as their inclusion would be anti-dilutive.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *RMB'000*	Plant and machinery *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
COST					
At January 1, 2022	20,312	9,875	9,070	138,673	177,930
Additions	963	–	159	13,089	14,211
At December 31, 2022	21,275	9,875	9,229	151,762	192,141
Additions	–	–	15	–	15
Disposal	–	–	(5,021)	–	(5,021)
Transfer	–	–	10	(10)	–
At December 31, 2023	21,275	9,875	4,233	151,752	187,135
DEPRECIATION AND IMPAIRMENT					
At January 1, 2022	13,026	5,363	5,375	–	23,764
Provided for the year	3,716	1,779	1,091	–	6,586
Impairment loss recognised in profit or loss	–	–	–	23,412	23,412
At December 31, 2022	16,742	7,142	6,466	23,412	53,762
Provided for the year	3,882	843	911	–	5,636
Eliminated on disposals	–	–	(4,331)	–	(4,331)
Impairment loss recognised in profit or loss	–	–	–	26,404	26,404
At December 31, 2023	20,624	7,985	3,046	49,816	81,471
CARRYING VALUES					
At December 31, 2023	651	1,890	1,187	101,936	105,664
At December 31, 2022	4,533	2,733	2,763	128,350	138,379

The above items of property, plant and equipment, except for construction in progress, after taking into account the residual values, if any, are depreciated on a straight-line basis at the following rates per annum:

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Leasehold improvements	Shorter of the lease term or 33.3%
Plant and machinery	18%
Furniture, fixtures and equipment	9%-30%

In 2023, in view that CStone Suzhou Factory (the "Facilities") remained temporary suspension of the operation, the directors of the Company have performed an impairment assessment of the Facilities and consequently determined an impairment of the related construction in progress amounting to RMB26,404,000 (2022: RMB23,412,000). The impairment loss has been included in profit or loss in the research and development expenses line item. The directors of the Company have estimated the recoverable amount of the construction in progress using the fair value less costs of disposal.

If the fair value less costs of disposal of the abovementioned construction in progress is reduced by 10%, the recoverable amount of the construction in progress and the amount of impairment loss would be further reduced/increased by RMB10,194,000.

15. RIGHT-OF-USE ASSETS

	Office Premises *RMB'000*	Vehicles *RMB'000*	Total *RMB'000*
Carrying Amounts			
At January 1, 2022	28,631	–	28,631
Additions	75,308	–	75,308
Depreciation charge for the year	(35,752)	–	(35,752)
At December 31, 2022	68,187	–	68,187
Additions	17,086	430	17,516
Depreciation charge for the year	(37,945)	(54)	(37,999)
At December 31, 2023	47,328	376	47,704

15. RIGHT-OF-USE ASSETS (Continued)

	For the year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Expense relating to short-term leases	**252**	1,119
Expense relating to leases of low-value assets, excluding short-term leases of low value assets	**250**	312
Total cash outflow for leases	**34,250**	48,992

For both years, the Group leases various office premises and vehicles for its operations. Lease contracts are entered into for fixed term of 12 to 37 months (2022: 12 to 37 months). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for office premises and vehicles. At December 31, 2022 and 2023, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

During the year ended December 31, 2023, the Group entered into new leases with lease liabilities amounted to RMB17,136,000 (2022: RMB74,346,000) which were non-cash transactions of the Group.

Restrictions or covenants on leases

In addition, lease liabilities of RMB44,462,000 are recognised with related right-of-use assets of RMB47,704,000 at December 31, 2023 (2022: lease liabilities of RMB58,737,000 and related right-of-use assets of RMB68,187,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

16. INTANGIBLE ASSETS

	Computer software *RMB'000*	In-licenses *RMB'000*	Total *RMB'000*
At January 1, 2022	9,834	69,696	79,530
Additions	120	101,701	101,821
At December 31, 2022	9,954	171,397	181,351
Additions	–	65,032	65,032
Disposals *(note 7)*	–	(44,557)	(44,557)
At December 31, 2023	9,954	191,872	201,826
AMORTISATION			
At January 1, 2022	5,842	3,149	8,991
Provided for the year	2,507	10,154	12,661
At December 31, 2022	8,349	13,303	21,652
Provided for the year	1,265	13,290	14,555
Eliminated on disposals	–	(7,426)	(7,426)
At December 31, 2023	9,614	19,167	28,781
CARRYING VALUES			
At December 31, 2023	340	172,705	173,045
At December 31, 2022	1,605	158,094	159,699

The above intangible assets have finite useful lives and are amortised on a straight-line basis as follows:

Computer software	10% – 33% per annum
In-licenses	7% – 9% per annum

During the year ended December 31, 2023, the Group capitalised milestone payments from the license in arrangements with independent third party partners amounted to USD9,000,000 (equivalent to RMB65,032,200) (2022: USD16,000,000 (equivalent to RMB101,701,000)).

At December 31, 2023, out of the in-licenses capitalised as intangible assets, USD5,000,000 (equivalent to RMB35,413,500) (2022: USD5,000,000 (equivalent to RMB31,741,000)) relates to a research milestone payment made which is still in the early research stage and thus such amount had yet to commence amortisation.

16. INTANGIBLE ASSETS (Continued)

The management of the Group conducted impairment assessment on the Group's capitalised in-licenses costs. The recoverable amounts have been determined based on a value in use calculation using cash flow projections which are based on financial forecasts approved by the directors of the Company at December 31, 2023. The management of the Group did not assume any growth to the cash flows subsequent to the forecast period. The pre-tax discount rate applied to the cash flow projections is 11% (2022:11%) per annual and reference to the average discount rate with similar business risk and after taking into account the risk premium in connection with the related research and development efforts. Apart from the discount rate as stated above, the estimation of cash inflows/outflows include budgeted sales and gross margin which are based on management's expectation for the market development. The recoverable amount is significantly above the carrying amount of the Group's capitalised in-licenses costs. The management of the Group believes that any reasonably possible change in any of these assumptions would not result in impairment.

17. ACCOUNT RECEIVABLES

	2023 ***RMB'000***	2022 *RMB'000*
Account receivables	**172,438**	77,133

The Group allows an average credit period of 60 days to its customers.

The following is an aged analysis of account receivables presented based on invoice dates at the end of the reporting period:

	2023 ***RMB'000***	2022 *RMB'000*
0 – 60 days	**28,447**	46,563
61 – 90 days	**20**	258
Over 90 days	**143,971**	30,312
	172,438	77,133

At December 31, 2023, included in the Group's account receivables balance are debtors with aggregate carrying amount of RMB143,991,000 (2022: RMB30,570,000) which are past due as at the reporting date. Out of the past due balances and except for account receivables with corresponding refund liabilities recognsied RMB121,273,000 (2022: RMB5,114,000) has been past due 90 days or more and is not considered as in default as they are due from counterparties with good reputation and lower risk of default. Details of impairment assessment of account receivables are set out in note 33b.

18. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2023 RMB'000	2022 RMB'000
Rental deposits	9,542	11,006
Prepayments	3,751	18,631
Receivable from redemption of investment in fund linked note *(note 19)*	–	826
Value-added tax recoverable	457	14,174
Reimbursement from licensee *(note a)*	–	43,959
Interest receivables	5,536	3,113
Receivable on behalf of licensee *(note b)*	–	28,962
Others	4,822	6,597
	24,108	127,268
Analysed as:		
Non-current	2,258	21,763
Current	21,850	105,505
	24,108	127,268

Notes:

(a) The Group entered into an exclusive license agreement with an independent third party for the intellectual property rights related to pharmaceutical products. Pursuant to the agreement, the licensee is responsible for bearing all costs for the activities associated with the development and regulatory affairs for the ongoing trials as well as all future trials. Such amount was fully settled in 2023.

(b) Amounts represented the balance in which the Group is entitled to receive on behalf of the licensee pursuant to the agreement with the licensee. Such amounts were fully settled in 2023.

19. FINANCIAL ASSETS MEASURED AT FVTPL

	2023 RMB'000	2022 RMB'000
Convertible note	–	3,482
Unlisted equity investment	3,541	–
	3,541	3,482

Note: In November 2021, the Group subscribed a convertible note at a cash consideration of USD500,000 (equivalent to RMB3,482,000 at December 31, 2022) issued by a unlisted entity. The convertible note carried at a fixed coupon rate of 5% per annum and will be repaid on demand. In the event that the unlisted entity issues and sells equity of the entity (the "Qualified Financing") to investors, the outstanding principal and all accrued interest thereon shall automatically convert according to the term in convertible note. Otherwise the convertible note is automatically convertible into ordinary shares of the entity at a conversion price equal to the quotient of USD10,000,000 divided by the aggregate number of outstanding ordinary shares of the unlisted entity as of the scheduled maturity date (assuming full conversion or exercise of all converted and exercisable securities then outstanding other than the convertible note).

During the year ended December 31, 2023, the convertible note was executed and automatically converted due to Qualified Financing of the entity. The management of the Group assessed its fair value change of such unlisted equity investments is insignificant as at 31 December 2023.

Further to the convertible note, at December 31, 2022 and 2023, the Group held 1,000,000 class X units of a private equity resulting from the redemption of the fund linked note as detailed in Note 19 of the Group's 2022 annual report. The management of the Group assessed its fair value is nil at December 31, 2022 and 2023 after considering the expected return of the underlying investments.

20. INVENTORIES

	2023 RMB'000	2022 RMB'000
Finished goods	108,828	22,188

21. CASH AND CASH EQUIVALENTS AND TIME DEPOSITS

Time deposits with original maturity over three months

The Group held time deposits of RMB30,000,000 (2022: US$45,000,000 (equivalent to RMB313,407,000), RMB170,000,000) at December 31, 2023 with original maturity of more than 3 months which carried effective interest rate of 3.10% (2022: 1.45% – 4.30%) per annum. These time deposits will mature within 12 months.

Cash and cash equivalents

	2023	2022
	RMB'000	*RMB'000*
Cash at banks	**683,771**	414,938
Cash on hand	**71**	71
Cash equivalents		
– Money market funds (note)	**5,960**	3,852
– Time deposits with original maturity less than three months	**306,869**	139,823
	996,671	558,684

Note: Amount represents investments in a public debt constant net asset value money market funds and low volatility net asset value money market fund.

Cash and cash equivalents include time deposits with original maturity less than three months and cash at banks for the purpose of meeting the Group's short-term cash commitments, which carry interests at market rates per annum ranging as follows:

	2023	2022
Time deposits	**1.40% – 5.36%**	1.25% – 4.30%
Cash at banks	**0.00% – 0.20%**	0.00% – 0.75%

21. CASH AND CASH EQUIVALENTS AND TIME DEPOSITS (Continued)

Cash and cash equivalents (Continued)

The Group's time deposits and cash and cash equivalents denominated in currencies other than functional currencies of the relevant group entities at the end of the reporting period are as follows:

	2023 RMB'000	2022 RMB'000
USD	**554,125**	426,765
HK$	**8,072**	88,951

Details of impairment assessment of time deposits, cash at banks and investments in money market funds are set out in note 33b.

22. ACCOUNT AND OTHER PAYABLES AND ACCRUED EXPENSES

	2023 RMB'000	2022 RMB'000
Account payables	**315,106**	290,414
Accrued expenses		
– Research and development *(note a)*	**271,653**	251,240
– Royalty fees	**3,818**	40,881
– Selling and marketing	**21,475**	11,835
– Legal and professional fees	**2,108**	2,520
– Others	**8,457**	6,084
Payable to a licensee *(note b)*	**–**	120,771
Staff payroll payables	**64,768**	88,309
Other tax payable	**17,660**	5,819
Other payables	**45,126**	51,493
	435,065	578,952
	750,171	869,366
Analysed as:		
Non-current *(note c)*	**68,729**	–
Current	**681,442**	869,366

22. ACCOUNT AND OTHER PAYABLES AND ACCRUED EXPENSES (Continued)

Notes:

(a) Amount mainly included accrued service fees to outsourced service providers including contract research organisations, contract manufactory organisations and clinical trial centres.

(b) Amount represented the balance the Group had received and/or receivable on behalf of the licensee and is yet to transfer to the licensee.

(c) In 2023 the Group entered into a supplemental agreement with the vendors, pursuant to which both parties agreed to defer the amount of RMB24,987,000 and US$7,945,000 (equivalent to RMB57,419,000) during the year. Such amounts are carried at a fixed interest rate of 4% per annum. US$1,000,000 (equivalent to RMB7,225,000) will be settled in first quarter of 2024, and US$3,000,000 (equivalent to RMB21,675,000) in total will be settled in third quarter of 2024 and first quarter of 2025, respectively, while the remaining principal and interest will be settled in third quarter of 2025.

The credit period on account payables is ranged from 0 to 90 days. Aged analysis of the Group's account payables based on invoice dates at the end of the reporting period is as follows:

	2023	2022
	RMB'000	*RMB'000*
0 – 30 days	**171,216**	96,629
31 – 60 days	**24,520**	22,736
61 – 90 days	**39,850**	55,073
Over 90 days	**79,520**	115,976
	315,106	290,414

23. REFUND LIABILITIES

	2023	2022
	RMB'000	*RMB'000*
Refund liabilities arising from the sales of pharmaceutical products	**22,698**	25,198

The refund liabilities relate to customers' right to return/exchange products within 6 months prior to expiry of the pharmaceutical products. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognised for those products expected to be returned/exchanged. The Group based on its available market information and the expiration dates of the pharmaceutical products sold to estimate the number of exchanges using the expected value method.

24. BANK BORROWINGS

	2023 RMB'000	2022 RMB'000
Unsecured and unguaranteed *(note a)*	**200,000**	100,000
Secured and unguaranteed *(note b)*	**118,986**	127,553
	318,986	227,553

	2023 RMB'000	2022 RMB'000
The carrying amounts of the above bank borrowing are repayable*:		
Within 1 year	**105,986**	8,567
Within a period of more than 1 year but not exceeding 2 years	**157,000**	218,986
Within a period of more than 2 years but not exceeding 5 years	**56,000**	–
	318,986	227,553
Less: Amounts due within 12 months shown under current liabilities	**(105,986)**	(8,567)
Amounts show under non-current liabilities	**213,000**	218,986

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

Notes:

a. At December 31, 2023, the Group drawn down RMB170,000,000 (2022: RMB100,000,000) which the bank borrowing is unsecured, unguaranteed and carried at variable interest rate (also being the effective interest rate) from Loan Prime Rate ("LPR") less 45 basis points to LPR less 55 basis points per annum (2022: LPR less 65 basis points per annum), for the purpose of working capital. The Group also drawn down RMB30,000,000 (2022: nil) which the bank borrowing is unsecured, unguaranteed and carried at fixed rate 3.30% per annum, for the purpose of working capital.

b. At December 31, 2023, the Group drawn down RMB118,986,000 (2022: RMB127,553,000) which the bank borrowing is secured, unguaranteed and carried at variable interest rate (also being the effective interest rate) at LPR less 45 basis points per annum, for the purpose of working capital. Such bank borrowing is secured by the Facilities.

25. CONTRACT LIABILITIES

	2023 RMB'000	2022 RMB'000
Advance from a customer for exclusive promotion rights	**68,852**	–
Analysed as:		
Non-current	**61,967**	–
Current	**6,885**	–
	68,852	–

During the year ended December 31, 2023, the Group entered into an exclusive promotion service agreement with an independent third party under which the Group granted the exclusive promotion rights on a pharmaceutical product. Pursuant to the agreement, the Group is entitled to an upfront payment and additional milestone payments, while the counterparty receives the exclusive rights to commercialize the product in China and will receive tiered service fee based on the net sales. The Group received the non-refundable upfront payment, amounting to RMB74,200,000. The VAT-excluded amount was recognised in contract liabilities as RMB70,000,000 and amortised within the agreed exclusive promotion period.

26. DEFERRED INCOME

	2023 RMB'000	2022 RMB'000
Government subsidies received related to acquisition of property, plant and equipment *(note a)*	**–**	1,247
Other subsidies *(note b)*	**–**	7,000
	–	8,247
Analysed as:		
Non-current	**–**	1,247
Current	**–**	7,000
	–	8,247

26. DEFERRED INCOME (Continued)

Notes:

(a) In prior years, the Group received government subsidies for capital expenditure incurred for the plant, machineries and spare parts. The amounts were deferred and amortised over the estimated useful lives of the respective assets. Such amounts were fully amortised in 2023.

(b) In prior years, the Group received government subsidies towards research and development projects. Certain conditions have to be fulfilled until these subsidies can be regarded as fully granted. At December 31, 2022, the relevant conditions had been fully fulfilled but such grant was subjected to the approval of the relevant regulatory authorities and therefore, the government subsidies were deferred. In 2023, the relevant approval is obtained and therefore, the government subsidies are recognised in profit or loss.

27. LEASE LIABILITIES

	2023 *RMB'000*	2022 *RMB'000*
Lease liabilities payable:		
Within one year	**33,327**	36,351
Within a period of more than 1 year but not exceeding 2 years	**5,778**	22,386
Within a period of more than 2 years but not exceeding 5 years	**5,357**	–
	44,462	58,737
Less: Amounts due for settlement within 12 months shown under current liabilities	**(33,327)**	(36,351)
Amounts due for settlement after 12 months shown under non-current liabilities	**11,135**	22,386

The weighted average incremental borrowing rates applied to lease liabilities is 5.34% per annum for the years ended December 31, 2022 and 2023.

28. SHARE CAPITAL/TREASURY SHARES HELD IN THE TRUST

	Number of shares	Share capital *US$'000*
Ordinary shares		
Ordinary shares of USD0.0001 each		
Authorised		
At January 1, 2022, and December 31, 2022 and 2023	2,000,000,000	200

	Number of shares	Amount *USD'000*	Equivalent amount of ordinary shares *RMB'000*
Issued and fully paid			
At January 1, 2022	1,187,123,326	120	796
Exercise of share options	10,499,694	1	5
Issuance of shares to a trust	1,120,992	– *	1
At December 31, 2022	1,198,744,012	121	802
Exercise of share options	619,987	– *	– *
Issuance of ordinary shares	84,800,000	8	58
At December 31, 2023	1,284,163,999	129	860

* Amount less than USD1,000 or RMB1,000.

28. SHARE CAPITAL/TREASURY SHARES HELD IN THE TRUST (Continued)

Treasury shares held in the trust:

	Number of treasury shares	Amount *USD'000*	Equivalent amount of treasury shares *RMB'000*
At January 1, 2022	14,584,077	1	11
Issuance of shares to a trust	1,120,992	– *	1
RSUs exercised under the trust	(15,039,999)	(1)	(10)
At December 31, 2022	665,070	– *	2
RSUs exercised under the trust	(2,972,906)	– *	(2)
Recycled to the trust	11,155,122	1	8
At December 31, 2023	8,847,286	1	8

* Amount less than USD1,000

In July 2019, the Company and Computershare Hong Kong Trustees Limited (the "Computershare Trustees"), an independent third party, set up the 2019 CStone Share Incentivisation Trust for Non-Connected Persons which entered into a trust deed pursuant to which the Computershare Trustees has agreed to act as the trustee to administer the Pre-IPO Incentivisation Plan (as defined in note 29(a)) and to hold the ordinary shares under the Pre-IPO Incentivisation Plan through the Computershare Trustees. Since the Company has control over the trust, the shares held in the trust are accounted for as treasury shares of the Company.

29. SHARE-BASED PAYMENT TRANSACTIONS

(a) Employee stock option plan ("ESOP")

The Pre-IPO ESOP

In 2016, the Group granted share options under its employee stock option plan (the "Pre-IPO ESOP") for the purpose of incentivising, retaining and rewarding certain employees and board members of the Company or its subsidiaries ("Eligible Persons") for their contributions to the Group's business, and to align their interests with those of the Group.

The directors of the Company adopted and approved such Pre-IPO ESOP on July 7, 2017, with the intent at that time that the directors of the Company delegated full authority to the then executive director of the Company to grant option awards in accordance with the Pre-IPO ESOP before Pre-IPO ESOP was approved and adopted by the directors of the Company. The overall limit on the number of underlying shares which may be delivered under the plan was 24,010,293 shares of the Company, subject to any adjustments for other dilutive issuances.

29. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Employee stock option plan ("ESOP") (Continued)

The Pre-IPO ESOP (Continued)

Except as provided otherwise in the grant letter or offer in any other form by the directors of the Company, the vesting schedule of the share options shall be a sixty months vesting schedule consisting of a cliff vesting of twenty percent after twelve months from the vesting commencement date and, thereafter, monthly vesting of equal instalments over the remaining forty-eight months.

On August 3, 2018, the board of directors of the Company resolved to adopt and approved the amended and restated employee equity plan (the "Pre-IPO Incentivisation Plan") for the purpose of granting RSUs and other equity incentive permitted by the Pre-IPO Incentivisation Plan to the employees, directors of the Company, consultants and advisors of the Company. Further on August 14, 2018, the board of directors of the Company resolved the change of vesting schedule and updated the outstanding options and RSUs with the new vesting schedule under the Pre-IPO Incentivisation Plan, whereas 25% of the shares will be vested on the first anniversary of the original vesting commencement date, and the remaining shares will be vested with equal monthly instalments over the following thirty-six months.

The share options and RSUs shall be restricted to the eligible employees, directors of the Company, consultants and advisors of the Company and shall not be assignable to other person. No eligible employee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any share option and RSUs or attempt to do so.

The overall limit on the number of underlying shares which may be delivered under the Pre-IPO Incentivisation Plan for both employees stock option plan and the RSUs is 130,831,252 shares of the Company.

The following table discloses movements of the Company's Pre-IPO ESOP held by grantees during the year:

Option type	Outstanding at 1/1/2022	Forfeited	Exercised	Outstanding at 31/12/2022	Forfeited	Exercised	Outstanding at 31/12/2023
Pre-IPO ESOP	16,189,597	(4,764)	(10,499,694)	5,685,139	(75,614)	(619,987)	4,989,538
Exerciseable at the end of the year	2,644,131			52,161			4,989,538
Weighted average exercise price		USD0.50	USD0.14		USD0.57	USD0.37	

29. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Employee stock option plan ("ESOP") (Continued)

The Post-IPO ESOP

Pursuant to a resolution passed on January 30, 2019, the directors of the Company further adopted an employee equity plan (the "Post-IPO ESOP") to grant option awards to any employee, officer, director, contractor, advisor or consultant of the Group by reason of his or her contribution to the Group. The Post-IPO ESOP shall be valid and effective for a period of ten years commencing on February 26, 2019 ("the Listing Date"). Options granted must be taken up within the period specified in the letter containing the offer of the grant of the options. The total number of shares in respect of share options may be granted under the Post-IPO ESOP is not permitted to exceed 10% of the shares of the Company in issue immediately after completion of the IPO and as at the Listing Date (i.e. 98,405,153 shares), without prior approval from the shareholders of the Company.

Unless otherwise approved by the directors of the Company and set forth in an offer letter, the vesting schedule should be forty-eight months consisting of a cliff vesting of twenty five percent on the first anniversary of the vesting commencement date and, thereafter, monthly vesting of equal instalments over the following thirty-six months, provided that the grantee continues to be an eligible employee (as described under the Post-IPO ESOP) as of each such vesting date.

On August 30, 2022, the Company granted 28,000,000 share options to a director of the Company of which 14,000,000 share options are performance-based options which each batch of option shall vest and become exercisable on the first, second, third and fourth anniversary of the date of satisfaction of the respective performance target milestone, and the remaining 14,000,000 share options are time-based options which each batch shall vest and become exercisable on the first, second, third and fourth anniversary of August 25, 2022.

During the current year, the Group cancelled 6,200,000 and 9,964,460 share options of Dr. Yang and employees, respectively, pursuant to the terms of the Post-IPO ESOP and re-granted 4,340,000 and 7,116,419 new share options, to Dr. Yang and employees ("Existing Grantees"), respectively. In March 2023, the shareholders of the Company approved the proposed cancellation and re-grant of options under the Post-IPO ESOP in the Company's extraordinary general meeting.

The following table discloses movements of the Company's Post-IPO ESOP held by grantees during the year:

Option type	Outstanding at 1/1/2023	Granted	Canceled	Forfeited	Outstanding at 31/12/2023
Post-IPO ESOP	86,236,090	39,777,539	(16,164,460)	(36,701,675)	73,147,494
Exerciseable at the end of the year	30,670,993				10,528,601
Weighted average exercise price		HK$4.27	HK$11.74	HK$9.18	

29. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Employee stock option plan ("ESOP") (Continued)

The Post-IPO ESOP (Continued)

Option type	Outstanding at 1/1/2022	Granted	Forfeited	Outstanding at 31/12/2022
Post-IPO ESOP	69,553,717	41,992,588	(25,310,215)	86,236,090
Exerciseable at the end of the year	9,515,704			30,670,993
Weighted average exercise price		HK$4.83	HK$7.39	

During the year ended December 31, 2023, the weighted average fair value of the Post-IPO ESOP granted is HK$4.27 per share.

The fair value was calculated using Option Pricing Model and Monte Carlo Simulation for the year ended December 31, 2022 and 2023. The key assumptions, such as risk-free interest rate and volatility, are required to be determined by the directors of the Company with best estimate.

The key inputs into the model for the grants during the year ended December 31, 2022 and 2023 were as follows:

	2023	2022
Exercise price	**HK$3.77 – HK$4.90**	HK$4.66 – HK$5.27
Expected volatility	**71.0% – 71.4%**	70.06% – 70.59%
Expected life	**10 years**	10 years
Risk-free rate	**3.0% – 3.6%**	2.84% – 3.09%
Expected dividend yield	**0%**	0%

The directors of the Company estimated the risk-free interest rate based on the yield of the Hong Kong Government Bonds with a maturity life close to the option life of the Post-IPO ESOP. Volatility was estimated at the grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share options. Dividend yield is based on management estimation at the grant date.

29. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(b) RSUs

The Pre-IPO RSUs Plan

Prior to the listing, the Group granted in total 18,079,665 RSUs of the Company at nil consideration to the grantees in accordance with Pre-IPO Incentivisation Plan.

On August 14, 2018, the directors of the Company, resolved and approved the vesting schedule of the RSUs with 25% of the shares to be vested on the first anniversary of the vesting commencement date, and the remaining shares to be vested with equal monthly instalments over the following thirty-six months. The aforesaid arrangement has been accounted for as share-based payment transactions. Accordingly, the Group measured the fair value of the RSUs as of the grant date and recognised the amount as compensation expenses over the vesting period for each separate vesting portion of the RSUs.

The following table summarised the Group's Pre-IPO RSUs movement during the years:

	Number of RSUs	
	2023	2022
Outstanding at January 1,	**192,470**	8,021,554
Vested during the year	**(192,470)**	(7,829,084)
Outstanding at December 31,	**–**	192,470

The Post-IPO RSUs Plan

A restricted share award scheme (the "Post-IPO RSUs Plan") was approved and adopted pursuant to a resolution passed on March 22, 2019. The directors of the Company may, from time to time, at its absolute discretion grant RSUs to an eligible person in accordance with the Post-IPO RSUs Plan. The overall limit on the number of RSUs under the Post-IPO RSUs Plan is 7,650,000 shares and the maximum number of shares which may be awarded to any eligible person under the Post-IPO RSUs Plan shall not exceed 1% of the issued share capital of the Company at March 22, 2019.

On January 31, 2020, an amendment to the Post-IPO RSUs Plan was approved and adopted to increase maximum total number of RSUs, pursuant to which the maximum total number of RSUs that may be granted under the Post-IPO RSUs Plan in aggregate (excluding the RSUs that have lapsed or been cancelled in accordance with the rules of the plan) was increased from 7,650,000 shares to 38,010,316 shares, representing approximately 3.70% of the issued share capital of the Company at January 31, 2020.

29. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(b) RSUs (Continued)

The Post-IPO RSUs Plan (Continued)

The vesting of the Post-IPO RSUs granted is subject to the eligible person remaining at all times after the date of granting and on the vesting date an eligible person of the Post-IPO RSUs Plan. RSUs granted under the Post-IPO RSUs Plan shall have a contractual term of 10 years and generally vest over a four-year period, with 25% of total RSUs vesting on the anniversary date one year after the vesting commencement date and the remaining 75% vesting subsequently in 36 equal monthly instalments or with 25%, 25%, 25% and 25% of total RSUs vesting on the first, second, third and fourth anniversary date one year after the vesting commencement date.

The grantees may not have any interest or right in the RSUs granted until such Post-IPO RSUs have been vested.

The RSUs granted to the eligible person under the Post-IPO RSUs Plan shall be restricted to eligible person only and shall not be assignable to other person. No eligible person may in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to the award. The Post-IPO RSUs Plan will be expired on March 23, 2029.

The following table summarised the Group's Post-IPO RSUs and movement during the year:

	Number of Post-IPO RSUs	
	2023	2022
At January 1,	**6,480,851**	18,734,247
Granted during the year	**3,379,180**	1,927,000
Forfeited during the year	**(2,492,817)**	(6,969,481)
Vested during the year	**(2,780,436)**	(7,210,915)
At December 31,	**4,586,778**	6,480,851

The fair value of the Post-IPO RSUs granted during the current year was HK$3.57 per Post-IPO RSU which was determined by the observable market price at grant date.

For the year ended December 31, 2023, the Group's total share-based in relation to payment expenses granted recognised in the consolidated statement of profit or loss and other comprehensive income by the Company is RMB36,993,000 (2022: RMB142,062,000).

30. RETIREMENT BENEFIT PLANS

The PRC

The employees of the Company's subsidiaries in the PRC are members of the state-managed retirement benefit scheme operated by the relevant local government authority in the PRC. The subsidiaries are required to contribute, based on a certain percentage of the payroll costs of its employees, to the retirement benefit scheme and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The total amount provided by the Group to the scheme in the PRC and charged to profit or loss are approximately RMB46,558,000 (2022: RMB55,896,000) for the year ended December 31, 2023.

31. RELATED PARTY DISCLOSURES

Except as disclosed elsewhere in the consolidated financial statements, the Group also entered into the following transactions during the year with certain related parties.

Compensation of key management personnel

The remuneration of directors of the Company and other members of key management were as follows:

	2023 *RMB'000*	2022 *RMB'000*
Short-term benefits	**31,767**	24,240
Retirement benefit scheme contributions	**1,087**	727
Total cash compensation	**32,854**	24,967
Non-cash share-based payment expenses	**81,185**	86,171
	114,039	111,138

The remuneration of key management personnel is determined by the directors of the Company having regard to the performance of individuals and market trends.

32. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to its stakeholders and maintaining an adequate capital structure. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes bank borrowings and lease liabilities set out in note 24 and 27, respectively, cash and cash equivalents, time deposits and equity attributable to owners of the Company, comprising issued ordinary share capital and reserves.

The management of the Group regularly reviews the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of the capital. The Group will balance its overall capital structure through the new shares issues as well as the issue of new debt.

33. FINANCIAL INSTRUMENTS

33a Categories of financial instruments

	2023 RMB'000	2022 RMB'000
Financial assets		
Amortised cost	**1,213,049**	1,209,835
Cash equivalents at FVTPL	**5,960**	3,852
Financial assets measured at FVTPL	**3,541**	3,482
Financial liabilities		
Amortised cost	**679,218**	690,231

33b Financial risk management objectives and policies

The Group's financial instruments include account receivables, deposits and other receivables, financial assets measured at FVTPL, time deposits with original maturity over three months, cash and cash equivalents, account and other payables, and bank borrowings. Details of these financial instruments are disclosed in the respective notes.

The risks associated with the Group's financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Certain time deposits, cash and cash equivalents, financial assets measured at FVTPL, account and other receivables, and account and other payables are denominated in foreign currencies of the respective group entities which are exposed to foreign currency risk.

The Group currently does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging of significant foreign currency exposure should the need arise.

The carrying amounts of monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are as follows:

	Assets		Liabilities	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
US$	**561,466**	478,728	**248,951**	132,771

33. FINANCIAL INSTRUMENTS (Continued)

33b Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase in RMB against the relevant foreign currencies. 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive (negative) number below indicates increase (decrease) in post-tax loss where RMB strengthens 5% against the relevant foreign currencies. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the loss.

	2023 ***RMB'000***	2022 *RMB'000*
US$	**13,070**	17,298

The directors of the Company considered the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed rate time deposits (note 21), bank borrowings (note 24) and lease liabilities (note 27). The Group is also exposed to cash flow interest rate risk in relation to cash at banks (note 21) and variable rate bank borrowings (note 24). The Group currently does not enter into any hedging instrument for fair value or cash flow interest rate risk.

33. FINANCIAL INSTRUMENTS (Continued)

33b Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point (2022: 50 basis point) increase or decrease in variable-rate bank borrowings are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If the interest rate had been 50 basis points higher/lower at December 31, 2023 and all other variables were held constant, the Group's loss for the year ended December 31, 2023 would increase by RMB1,595,000 (2022: RMB1,138,000) or decrease by RMB1,595,000 (2022: RMB1,138,000).

Credit risk and impairment assessment

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

In order to minimise credit risk, the Group has tasked its finance team to develop and maintain the Group's credit risk gradings to categorise exposures according to their degree of risk of default. Management uses publicly available financial information and the Group's own historical repayment records to rate other debtors and other debt instruments issuers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst counterparties.

33. FINANCIAL INSTRUMENTS (Continued)

33b Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The Group's current credit risk grading framework comprises the following categories:

Categories	Description	Account receivables	Other financial assets/items
Performing	The counterparty has a low risk of default and does not have any past due amounts	Life time ECL-not credit impaired	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition	Life time ECL-not credit impaired	Life-time ECL-not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired	Life time ECL-credit impaired	Life-time ECL-credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is write-off	Amount is write-off

For the purpose of impairment assessment for account receivables, with a total gross carrying amount of RMB172,438,000 (2022: RMB77,133,000), the loss allowance is measured at an amount equal to life time ECL. For the purpose of impairment assessment for other receivables with a total gross carrying amount of RMB19,900,000 (2022: RMB94,463,000), the loss allowance is measured at an amount equal to 12m ECL. In determining the ECL for these financial assets, the directors of the Company have taken into account the credit rating of the counterparties in estimating the probability of default of each of the account receivables and other receivables occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. The directors of the Company considered that the amount of ECL provision is insignificant.

33. FINANCIAL INSTRUMENTS (Continued)

33b Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

At December 31, 2023, the Group has concentration of credit risk as 74% (2022: 80%) of the total account receivables were due from the Group's largest customer.

In order to minimise the credit risk with customers, the management of the Group has delegated its finance team responsible for determination of credit limits and credit approvals. Before accepting any new customers, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

In addition, the Group performs impairment assessment under ECL model on trade balances individually or based on collective assessment. Except for debtors with significant balances, which are assessed for impairment individually, the remaining account receivables collectively assessed based on shared credit risk characteristics by reference to repayment histories for recurring customers.

The credit risk on time deposits, cash at banks and investments in money market funds of the Group is limited because the counterparties are banks, bond issuers, government and financial institutions with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

In the management of liquidity risk, the management of the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group issues shares as a significant source of liquidity.

The directors of the Company are satisfied that the Group will have sufficient financial resource to meet its financial obligation as they fall due for the foreseeable future after taking into account of the aforesaid proceeds from the shares issuance and the expected working capital requirements for the next twelve months from the end of the reporting period.

The following table details remaining contractual maturity of the Group for the payables which has been drawn up based on the undiscounted cash flows based on the earliest date on which the Group can be required to pay.

33. FINANCIAL INSTRUMENTS (Continued)

33b Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	Weighted average effective interest rate %	Repayable on demand or less than 1 year RMB'000	More than 1 year but not more than 2 years RMB'000	More than 2 years but not more than 5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
At December 31, 2023						
Bank borrowings	3.97	109,319	164,141	60,438	333,898	318,986
Account and other payables	–	277,337	–	–	277,337	277,337
Defer payment arrangement on account payables	4.00	16,838	70,754	–	87,592	82,895
Lease liabilities	5.34	34,625	6,167	5,468	46,260	44,462
		438,119	241,062	65,906	745,087	723,680
At December 31, 2022						
Bank borrowings	4.90	14,244	223,492	–	237,736	227,553
Account and other payables	–	462,678	–	–	462,678	462,678
Lease liabilities	5.34	38,589	22,968	–	61,557	58,737
		515,511	246,460	–	761,971	748,968

33. FINANCIAL INSTRUMENTS (Continued)

33c Fair value measurements of financial instruments

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used).

In estimating the fair value, the Group uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the Vice President of Finance establishes the appropriate valuation techniques and inputs to the model and reports any findings to the directors of the Company.

Financial assets	Fair value at		Fair value hierarchy	Valuation techniques and key inputs
	December 31, 2023 *RMB'000*	December 31, 2022 *RMB'000*		
Convertible note	**–**	3,482	Level 2	Recent transaction Price
Unlisted equity investment	**3,541**	–	Level 2	Recent transaction Price
Money market funds	**5,960**	3,852	Level 2	Based on the net asset values of the funds, which are determined with reference to observable and quoted prices of underlying investment portfolio and adjustments of related expenses.

(ii) Reconciliation of Level 3 fair value measurements

The following table presents the reconciliation of Level 3 measurements of financial assets measured at FVTPL during the years:

	RMB'000
At January 1, 2022	122,895
Redemption of investment in fund linked note	(70,217)
Net loss on investment in fund linked note	(62,028)
Exchange gain	9,350
At December 31, 2022 and 2023	–

33. FINANCIAL INSTRUMENTS (Continued)

33c Fair value measurements of financial instruments (Continued)

(iii) Fair value of financial assets and financial liabilities that are not measured at fair value

The directors of the Company consider that the carrying amount of the Group's financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings *RMB'000*	Lease liabilities *RMB'000*	Account payables *RMB'000*	Total *RMB'000*
At January 1, 2022	146,511	27,687	–	174,198
Financing cash flows	73,499	(47,561)	–	25,938
Non-cash changes:				
New leases entered	–	74,346	–	74,346
Finance cost	7,543	4,265	–	11,808
At December 31, 2022	227,553	58,737	–	286,290
Financing cash flows	83,588	(33,748)	–	49,840
Non-cash changes:				
New leases entered	–	17,136	–	17,136
Defer payment arrangement on account payables (note 22)	–	–	81,258	81,258
Finance cost	7,845	2,337	1,637	11,819
At December 31, 2023	**318,986**	**44,462**	**82,895**	**446,343**

35. PARTICULARS OF SUBSIDIARIES

General information of subsidiaries

Details of the Group's subsidiaries at the end of the reporting period are set out below:

Name of subsidiaries	Place of incorporation/ establishment/ operations	Issued and fully paid share capital/registered capital	Shareholding/equity interest attributable to the Company		Principal activities
			2023	2022	
Directly held:					
CStone HK	Hong Kong	Issued and paid-up capital of HK$1	100%	100%	Investment holding and Commercialisation
CStone Australia	Australia	Registered and paid-up capital of AUD19,000,000	100%	100%	Research and development
CStone Pharmaceuticals Corporation	USA	Registered and paid-up capital of USD1	100%	100%	Investment holding
CStone Pharmaceuticals Singapore Pte. Ltd.	Singapore	Registered capital of USD1 and paid-up capital of nil	100%	100%	Investment holding
CStone Medicine (BVI) Limited	BVI	Nil	100%	100%	Investment holding
台灣基石藥業有限公司	Taiwan	Registered and paid-up capital of TWD55,990,000	100%	100%	Commercialisation
Indirectly held:					
CStone Suzhou	The PRC (note)	Registered and paid-up capital of USD197,761,000	100%	100%	Research and development and Commercialisation
拓石藥業(上海)有限公司	The PRC (note)	Registered capital of RMB24,080,000 and paid-up capital of RMB24,012,000	100%	100%	Research and development
創石(北京)醫藥科技有限公司	The PRC (note)	Registered capital of RMB10,000,000 and paid-up capital of RMB1,050,000	100%	100%	Research and development
申石生物醫藥(上海)有限公司	The PRC (note)	Registered and paid-up capital of USD20,000,000	100%	100%	Commercialisation
樂石生物醫藥(海南)有限公司	The PRC (note)	Registered capital of USD10,000,000 and paid-up capital of USD1,000,000	100%	100%	Commercialisation
基石藥業商貿(蘇州)有限公司	The PRC (note)	Registered capital of RMB10,000,000 and paid-up capital of Nil	100%	NA	Commercialisation

None of the subsidiaries had issued any debt securities at the end of the year.

Note: CStone Suzhou, 申石生物醫藥(上海)有限公司 and 樂石生物醫藥(海南)有限公司 are foreign invested limited liability companies. 拓石藥業(上海)有限公司，創石(北京)醫藥科技有限公司 and 基石藥業商貿(蘇州)有限公司 are domestic owned limited liability companies.

36. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2023 RMB'000	2022 RMB'000
Non-current assets		
Investments in subsidiaries	**283,673**	5,512,135
Financial assets measured at FVTPL	**3,541**	3,482
Amounts due from subsidiaries	**–**	13,800
Intangible assets	**162,761**	147,359
	449,975	5,676,776
Current assets		
Amounts due from subsidiaries	**517,105**	591,058
Other receivables	**23,825**	46,621
Time deposits with original maturity over three months	**–**	313,407
Cash and cash equivalents	**153,493**	126,130
	694,423	1,077,216
Current liabilities		
Other payables and accrued expenses	**120,142**	184,398
Amounts due to subsidiaries	**205,816**	189,955
	325,958	374,353
Net current assets	**368,465**	702,863
Total assets less current liabilities	**818,440**	6,379,639
Non-current liability		
Account payables	**50,325**	–
	50,325	–
Net assets	**768,115**	6,379,639
Capital and reserves		
Share capital	**860**	802
Reserves	**767,255**	6,378,837
Total equity	**768,115**	6,379,639

36. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

The movement of the reserves of the Company is as follows:

	Share premium *RMB'000*	Other reserves *RMB'000*	Treasury shares held in the trusts *RMB'000*	Share-base payment reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At January 1, 2022	8,464,602	67,242	(11)	586,841	(2,768,036)	6,350,638
Loss and total comprehensive expense for the year	–	–	–	–	(116,386)	(116,386)
Recognition of equity-settled share-based payment *(note 29)*	–	–	–	142,062	–	142,062
Exercise of share options *(note 29)*	75,399	–	–	(72,875)	–	2,524
Shares issued to trust and converted into treasury shares held in trust *(note 28)*	–	–	(1)	–	–	(1)
Restricted stock units exercised under the trust *(note 28)*	87,931	(10)	10	(87,931)	–	–
At December 31, 2022	8,627,932	67,232	(2)	568,097	(2,884,422)	6,378,837
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**–**	**(5,987,032)**	**(5,987,032)**
Recognition of equity-settled share-based payment *(note 29)*	**–**	**–**	**–**	**36,993**	**–**	**36,993**
Exercise of share options *(note 29)*	**3,419**	**–**	**–**	**(3,025)**	**–**	**394**
Issue of ordinary shares *(note 28)*	**338,063**	**–**	**–**	**–**	**–**	**338,063**
Restricted stock units exercised under the trust *(note 28)*	**23,045**	**6**	**(6)**	**(23,045)**	**–**	**–**
At December 31, 2023	**8,992,459**	**67,238**	**(8)**	**579,020**	**(8,871,454)**	**767,255**

Definitions

In this report, unless the context otherwise requires, the following terms have the following meanings. These terms and their definitions may not correspond to any industry standard definitions, and may not be directly comparable to similarly titled terms adopted by other companies operating in the same industries as our Company.

"AGM"	means	annual general meeting of the Company
"Amendment Date"	means	March 7, 2023, being the date on which the amendments of the Post-IPO ESOP and the Post-IPO RSU Scheme are conditionally approved by resolutions of the Company in its general meeting
"Articles" or "Articles of Association"	means	the fifth amended and restated articles of association of the Company adopted on June 21, 2023 with effect from Listing, as amended, supplemented or otherwise modified from time to time
"Audit Committee"	means	the audit committee of the Board
"Board", "our Board" or "Board of Directors"	means	the board of Directors
"Board Committees"	means	the Audit Committee, the Nomination Committee, the Compensation Committee, the Strategy Committee and the Investment Committee
"CAGR"	means	compound annual growth rate
"CEO"	means	chief executive officer of the Company
"CG Code"	means	The Corporate Governance Code set out in Appendix C1 to the Listing Rules
"Chairman"	means	the chairman of the Board
"China" or "PRC"	means	the People's Republic of China, for the purposes of this report only, excluding Hong Kong and Macau Special Administrative Region and Taiwan
"Companies Ordinance"	means	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "CStone" or "our Company"	means	CStone Pharmaceuticals (stock code: 2616), an exempted company with limited liability incorporated under the laws of the Cayman Islands on December 2, 2015, the Shares of which are listed on the Main Board of the Stock Exchange

"Compensation Committee"	means	the compensation committee of the Board
"Consolidated Financial Statements"	means	the audited consolidated financial statements of the Group
"Corporate Governance Report"	means	the corporate governance report of the Group for the year ended December 31, 2023
"CRO(s)"	means	contract research organization, a company that provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis
"CStone Suzhou"	means	CStone Pharmaceuticals (Suzhou) Co., Ltd. (基石藥業(蘇州)有限公司), a company established under the laws of the PRC on April 21, 2016 and one of the Company's subsidiaries
"CTA"	means	clinical trial agreement
"Director(s)"	means	the director(s) of our Company
"General Mandate"	means	the mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on June 21, 2023 to issue, allot and deal with up to 20% of the then issued share capital of the Company as at the date of annual general meeting of 2023
"GIST"	means	gastrointestinal stromal tumor, a type of tumor that occurs in the gastrointestinal tract, most commonly in the stomach or small intestine
"Global Offering"	means	the Hong Kong public offering and the international offering of the Shares
"Group", "our Group", "the Group", "we", "us", or "our"	means	the Company and its subsidiaries from time to time
"HCC"	means	hepatocellular carcinoma, a type of cancer arising from hepatocytes in predominantly cirrhotic liver
"HKD" or "HK$" or "HK dollars"	means	Hong Kong Dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	means	the Hong Kong Special Administrative Region of the PRC
"IND"	means	investigational new drug or investigational new drug application, also known as clinical trial application in China or clinical trial notification in Australia

Definitions

"Independent Auditor" or "Deloitte"	means	Deloitte Touche Tohmatsu
"INED(s)"	means	the independent non-executive Director(s)
"Investment Committee"	means	the investment committee of the Board
"IO"	means	immuno-oncology
"IPO"	means	the initial public offering of the Company on the Stock Exchange
"Listing"	means	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	means	February 26, 2019, being the date on which the Shares were listed on the Main Board of the Stock Exchange
"Listing Rules"	means	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"	means	the stock exchange (excluding the option market) operated by the Stock Exchange, which is independent from and operated in parallel with the GEM of the Stock Exchange. For the avoidance of doubt, the Main Board excludes the GEM
"Memorandum" or "Memorandum of Association"	means	the fifth amended and restated memorandum of association of the Company adopted on June 21, 2023, as amended, supplemented or otherwise modified from time to time
"Model Code"	means	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules
"NDA"	means	new drug application
"NMPA"	means	National Medical Products Administration (國家藥品監督管理局) and its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局)
"Nomination Committee"	means	the nomination committee of the Board
"Pfizer"	means	Pfizer Inc., a company incorporated in Delaware and listed on the New York Stock Exchange (NYSE: PFE)
"Pfizer Corporation"	means	Pfizer Corporation Hong Kong Limited, a company incorporated in Hong Kong with limited liability, an indirectly wholly-owned subsidiary of Pfizer
"Post-IPO ESOP"	means	the Company's post-IPO employee share option plan

"Post-IPO RSU Scheme"	means	the Company's post-IPO restricted share award scheme
"Preferred Share(s)"	means	preferred share(s) in the share capital of the Company prior to the Listing
"Pre-IPO Incentivization Plan"	means	the Company's pre-IPO employee equity plan
"Prospectus"	means	the prospectus of the Company, dated February 14, 2019, in relation to the Global Offering
"Reporting Period"	means	the one-year period from January 1, 2023 to December 31, 2023
"RET"	means	rearranged during transfection
"RMB" or "Renminbi"	means	Renminbi Yuan, the lawful currency of China
"RSU(s)"	means	restricted share unit(s)
"Securities Transactions Code"	means	the code of conduct of the Company regarding Directors' securities transactions, namely the Policy on Management of Securities Transactions by Directors
"SFO"	means	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	means	ordinary share(s) of US$0.0001 each in the issued share capital of our Company
"Share Incentivization Schemes"	means	the Pre-IPO Incentivization Plan, Post-IPO ESOP and Post-IPO RSU Scheme
"Share Subscription Agreement"	means	the Share Subscription Agreement dated September 30, 2020 entered into between the Company and Pfizer Corporation in respect of the Subscription
"Shareholder(s)"	means	holder(s) of Shares
"SM"	means	systemic mastocytosis, a form of mastocytosis, in which mast cells accumulate in internal tissues and organs such as the liver, spleen, bone marrow, and small intestines
"Stock Exchange"	means	The Stock Exchange of Hong Kong Limited
"Strategy Committee"	means	the strategy committee of the Board

Definitions

"U.S."	means	United States of America
"U.S. FDA" or "FDA"	means	U.S. Food and Drug Administration
"USD" or "US$" or "US dollars"	means	United States Dollars, the lawful currency of the United States of America
"Zhengze Yuanshi"	means	Suzhou Industrial Park Zhengze Yuanshi Venture Capital L.P. (蘇州工業園區正則原石創業投資企業(有限合夥))
"%"	means	per cent.

In this report, unless otherwise indicated, the terms "associate", "associated corporation", "connected person", "controlling shareholder", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules.


基石药业
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