Brii Biosciences

Breakthrough innovation & insight

Brii Biosciences Limited

腾盛博药生物科技有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2137

2023 Annual Report

CONTENTS

	Page
Corporate Profile	2
Corporate Information	3
Financial Summary	5
Chairman's Statement	6
Management Discussion and Analysis	7
Directors and Senior Management	21
Report of Directors	31
Corporate Governance Report	62
Independent Auditor's Report	78
Consolidated Statement of Profit or Loss and Other Comprehensive Income	83
Consolidated Statement of Financial Position	85
Consolidated Statement of Changes in Equity	87
Consolidated Statement of Cash Flows	88
Notes to Consolidated Financial Statements	90
Definitions	152

CORPORATE PROFILE

Brii Bio is a pioneering biotechnology company dedicated to developing innovative therapies in areas of high unmet medical needs, particularly infectious diseases, where traditional treatment options are limited and social stigmas persist. Since its founding in 2018, Brii Bio has been driven by its mission to tackle public health challenges head-on through breakthrough scientific innovation and critical patient insights.

Specializing in infectious diseases, Brii Bio takes the lead with its clinical programs targeting hepatitis B viral infection. Through a blend of in-house discovery and partnerships with global leaders, we strive to provide more effective and safe treatment options for patients in China and globally.

At the core of our HBV portfolio are our robust assets, including the proprietary therapeutic vaccine BRII-179, the siRNA BRII-835 (elebsiran), and the neutralizing antibody BRII-877 (tobevibart). Through ongoing combination studies and strategic collaborations, we aim for substantial improvements in the HBV functional cure rate. Building on key data readouts from recent years, notably in 2023, as well as the acquisition of intellectual property rights and technology transfer for BRII-179, we cemented our leading position and are primed to launch additional combination studies in 2024.

In addition, our efforts extend to clinical-stage programs targeting multidrug-resistant and extensively drug-resistant Gram-negative infections, including BRII-693, which we own global rights and actively seek strategic partnerships. We are also exploring partnership opportunities for therapeutic candidates addressing human immunodeficiency virus and postpartum depression/major depressive disorders. This ensures accelerated development of our broad portfolio while maintaining HBV as our top priority.

Strategically optimizing our organizational structure, Brii Bio has realigned its executive team to maximize internal resource and drive sustainable long-term growth. With the addition of seasoned industry veterans, we are positioned to refine our discovery strategy, emphasizing platforms and disease areas aligning with our pipeline interests, priorities, and strategic objectives.

Looking forward, the Company is prepared to progress into late-stage clinical trials for its HBV functional cure program, prioritize scientific differentiation, shorten time to commercialization and fully realize our programs' best-in-class potential. Furthermore, we will actively pursue external collaboration to propel the clinical development of our MDR/XDR, HIV and CNS programs.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Zhi HONG (*Chairman and Chief Executive Officer*)
Dr. Ankang LI

Non-executive Director

Mr. Robert Taylor NELSEN

Independent non-executive Directors

Mr. Gregg Huber ALTON
Dr. Martin J MURPHY JR
Ms. Grace Hui TANG
Mr. Yiu Wa Alec TSUI
Dr. Taiyin YANG

AUDIT AND RISK COMMITTEE

Ms. Grace Hui TANG *(Co-Chairlady)*
Dr. Taiyin YANG *(Co-Chairlady)*
Mr. Yiu Wa Alec TSUI

REMUNERATION COMMITTEE

Dr. Martin J MURPHY JR *(Chairman)*
Ms. Grace Hui TANG
Mr. Yiu Wa Alec TSUI

NOMINATION COMMITTEE

Mr. Gregg Huber ALTON *(Chairman)*
Dr. Zhi HONG
Dr. Martin J MURPHY JR

STRATEGY COMMITTEE

Dr. Ankang LI *(Chairman)*
Mr. Robert Taylor NELSEN
Mr. Gregg Huber ALTON
Dr. Taiyin YANG

JOINT COMPANY SECRETARIES

Dr. Ankang LI
Ms. Wing Tsz Wendy HO

AUTHORISED REPRESENTATIVES

(for the purpose of the Listing Rules)
Dr. Ankang LI
Ms. Wing Tsz Wendy HO

LEGAL ADVISERS

As to Hong Kong laws:
O'Melveny & Myers

As to PRC laws:
Global Law Office, Shanghai

As to Cayman Islands laws:
Maples and Calder (Hong Kong) LLP

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditor

COMPLIANCE ADVISER

Somerley Capital Limited

REGISTERED OFFICE

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

CORPORATE INFORMATION

CORPORATE HEADQUARTERS

3rd Floor, Building 7
Zhongguancun Dongsheng
International Science Park
No. 1 North Yongtaizhuang Road
Haidian District, Beijing 100192
China

WeWork One City Center
Suite 05-110, 110 N Corcoran St
Durham, NC 27701
United States of America

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place
348 Kwun Tong Road
Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKS

Bank of Beijing
Bank of China (Hong Kong)
China Merchants Bank
First Citizens Bank
Goldman Sachs International Bank
J.P. Morgan Chase Bank

COMPANY WEBSITE

www.briibio.com

STOCK CODE

2137

LISTING DATE

July 13, 2021

A summary of the Group's results, assets and liabilities for the last five years (prepared in accordance with IFRS) are set out as below. This summary does not form part of the audited consolidated financial statements.

Operating Results

	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000
Revenue	–	–	–	51,626	617
Other income	20,339	84,625	99,032	107,857	163,728
Other gains and losses, net	8,440	(21,993)	45,062	(12,289)	252,402
Research and development expenses	(83,785)	(875,795)	(494,615)	(440,634)	(402,705)
Administrative expenses	(63,334)	(103,396)	(208,404)	(168,629)	(196,499)
Selling and marketing expenses	–	–	–	(26,861)	(1,419)
Fair value loss on financial liabilities at fair value through profit or loss	(401,575)	(350,372)	(3,598,847)	–	–
Finance costs	(1,113)	(1,668)	(1,175)	(851)	(494)
Listing expenses	–	(14,911)	(32,137)	–	–
Loss before tax	(521,028)	(1,283,510)	(4,191,084)	(489,781)	(184,370)
Income tax expense	–	–	–	–	–
Loss for the year	(521,028)	(1,283,510)	(4,191,084)	(489,781)	(184,370)
Total comprehensive expense for the year	(535,346)	(1,173,148)	(4,248,951)	(238,456)	(159,687)

Financial position

	As at December 31,				
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000
Non-current assets	153,967	175,102	197,758	314,950	415,473
Current assets	885,457	1,092,842	3,413,941	3,076,899	2,782,778
Total assets	1,039,424	1,267,944	3,611,699	3,391,849	3,198,251
Non-current liabilities	1,590,301	2,435,411	19,730	5,239	–
Current liabilities	61,884	575,235	280,713	229,113	125,869
Total liabilities	1,652,185	3,010,646	300,443	234,352	125,869
Net (liabilities) assets	(612,761)	(1,742,702)	3,311,256	3,157,497	3,072,382

CHAIRMAN'S STATEMENT

2023 has been pivotal for Brii Bio, witnessing substantial expansion of our HBV portfolio and notable clinical progress. Each milestone brings us closer to finding a functional cure for HBV. Our focus on hepatitis B, both in China and globally, is evident in our concentrated efforts toward the clinical and commercial development of our advanced HBV portfolio.

Over the past five years, our vigorous clinical investigations have deepened our understanding of HBV, preparing us for the late-stage development of combination regimens involving our BRII-179, BRII-835 (elebsiran) and BRII-877 (tobevibart). With their distinct mechanism of action, these assets enable us to address HBV treatment from multiple angles, thereby enhancing our prospects of achieving a functional cure.

Through ongoing combination studies and strategic partnerships, we are working to solidify the position of our proprietary therapeutic vaccine, BRII-179, with the aim of substantially improving the HBV functional cure rate. Notably, in July 2023, we extended our global rights to BRII-179, and in February 2024, we further advanced by acquiring intellectual property rights and technology transfer for BRII-179. These transactions not only enhance our flexibility and control over BRII-179's development but also eliminate future milestone and royalty payments to VBI, offering significant upside and economic benefits for the Shareholders.

Encouraging data for BRII-179 has demonstrated its ability to induce strong immune responses in HBV patients. Importantly, BRII-179 holds the potential to identify immune-responsive CHB patients with the highest chance of achieving a functional cure.

Looking ahead, we are prepared to initiate multiple combination studies in the second half of 2024 to validate BRII-179's potential in enhancing HBV functional cure rates in combination with other modalities. Additionally, we anticipate several data readouts this year, including presentations at the APASL 2024 meeting, early topline result of BRII-835 in combination with PEG-IFNα Phase 2 study, and data reports from our partner Vir's studies with elebsiran (BRII-835) and tobevibart (BRII-877).

Beyond HBV, we will continue to explore partnership opportunities for our promising MDR/XDR, HIV and CNS assets, while maintaining our focus on HBV cure program, reflecting our confidence in our scientific insight and clinical evidence.

In conclusion, we have confidence in the progress achieved with our substantial HBV assets and are ready to leverage these insights. As we look ahead to 2024, I am optimistic that our collective efforts will continue to drive progress and deliver value to the Shareholders and partners. Thank you for your continued support.

Dr. Zhi Hong
Chairman

OVERVIEW

Since our inception, we have pursued breakthrough scientific innovation to tackle major public health challenges, driven by critical patient insights. The exceptional leadership skills and industry expertise of our senior executives drive the execution of our portfolio development strategy. With a focused commitment to infectious disease, particularly HBV, where we hold significant competitive advantages and a robust portfolio of assets entering late-stage development, we are actively advancing our programs. Leveraging our presence in both China and the U.S., we aim to improve the health of patients around the world.

Our strategic emphasis is on our HBV functional curative therapy program, where we see an opportunity to make a significant therapeutic impact on patients in China and worldwide. In collaboration with Vir, we are progressing multiple ongoing studies towards late-stage development, including elebsiran and PEG-IFNα combination (including a cohort with BRII-179 experienced patients), elebsiran and tobevibart with or without PEG-IFNα and BRII-179 and PEG-IFNα combination. We plan to initiate additional combination studies in the second half of 2024 to investigate the potential of BRII-179's role in enhancing HBV functional cure rate in combination with other modalities. Our goal is to enhance functional cure rate for the patients with potential high response to combination treatments while avoiding ineffective treatments.

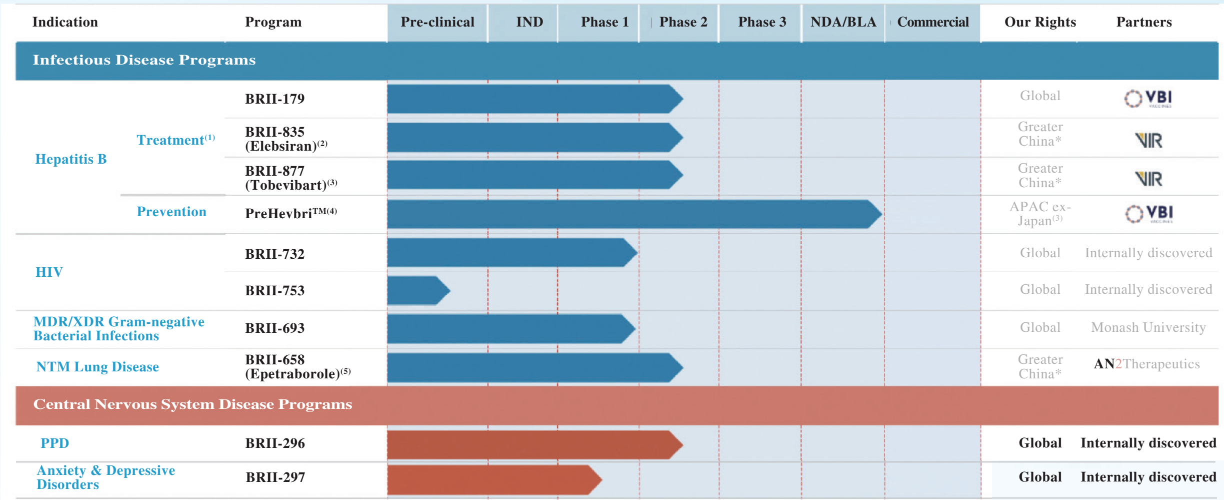
As our HBV programs transition to late-stage development, we are simultaneously curating a global manufacturing strategy for BRII-179 to ensure the timely integration of our R&D and manufacturing capabilities. This initiative was significantly bolstered by the recent transactions of the Company entered with VBI, VBI Cda and SciVac to secure full intellectual property rights for BRII-179 and eliminate all future payment obligations of the Company to VBI with respect to BRII-179/PreHevbri™ under the previous collaboration agreements entered into between the parties. Additionally, steps were taken to enhance manufacturing capabilities by acquiring technology transfer and facilities in Rehovot for BRII-179/PreHevbri™. These efforts are aligned to support the advancement of our potential paradigm shifting HBV program as well as to expand our future supply capacity and internal manufacturing capabilities.

2023 was an important year for the Company, with key insights received from multiple Phase 2 combination studies. Through vigorous clinical investigations over the past five years, the Company has gathered essential understanding about what is important to sustain the loss of HBsAg. On the ground of above, we have developed a strategy to assess and enhance HBV patients' intrinsic immunity, enriching patients who may have the best chance of achieving a cure while sparing others from poorly tolerated regimens. These pivotal breakthroughs inform our late-stage clinical combination trials.

Pipeline Summary

We have built a broad pipeline of 10 innovative drug candidates that focus on infectious diseases and central nervous system diseases. Our lead program is centered around HBV functional cure, primarily in China.

The following table sets forth the status of our key product candidates as of the date of this annual report:



* Greater China – Mainland China, Macau, Hong Kong and Taiwan

Source: Company information

Notes:

(1) The Phase 2 combination clinical trials conducted by Brii Bio:

- BRII-179/PEG-IFNα
- BRII-179/BRII-835
- BRII-835/PEG-IFNα

(2) Elebsiran was previously also known as VIR-2218.

(3) Tobevibart was previously also known as VIR-3434. The Phase 2 clinical trials have been conducted by VIR.

(4) VBI launched PreHevbri™/PreHevbrio® in the United States, Canada, European Union, European Economic Area, the United Kingdom, and Israel. Brii Bio acquired exclusive rights for APAC countries (ex-Japan) in July 2023.

(5) To this date, the development and clinical trials have been conducted by AN2.

BUSINESS REVIEW

During the Reporting Period, we rapidly advanced our product pipeline and business operations. We presented datasets at medical conferences that provided valuable insights into improving the functional cure rate for HBV patients and identifying patients most likely to respond to curative treatments.

With our important HBV candidates transitioning to late-stage clinical development, we have strategically shifted our resources to focus more heavily on our HBV program, including establishing a global manufacturing strategy to align our R&D capabilities with manufacturing resources. As such, we are actively seeking partners for the continued development of our promising MDR/XDR, HIV, and CNS programs.

Our key achievements as of the date of this annual report, along with planned next steps and upcoming milestones, include:

Core Clinical Pipeline Highlights and Upcoming Milestones

Hepatitis B Virus Programs Development Updates

Led by its team in China and partners, Vir and VBI, the Company is progressing multiple combination studies for the treatment of HBV to improve the probability of achieving a high rate of functional cure for chronic HBV patients in China. China has the largest prevalence of HBV in the world, with 87 million people impacted by this disease, yet there is no effective functional cure currently available for patients.

BRII-179 Related Studies and Plans

BRII-179 is a novel recombinant protein-based HBV immunotherapeutic candidate that expresses the Pre-S1, Pre-S2 and S HBV surface antigens, and is designed to induce enhanced B-cell and T-cell immunity.

- BRII-179 received Breakthrough Therapy Designation from the CDE in November 2023, expediting innovative treatments for HBV patients.

- In November 2023, the Company presented two late-breaking posters on BRII-179 at the AASLD The Liver Meeting®, showing an important connection between HBsAg loss and anti-HBs antibody response. These data enable a clear direction in further improving the functional cure rate and identifying patients likely to respond to curative treatments.

  ➢ BRII-179 induced functional immune responses that improve the rate and duration of HBsAg loss in CHB patients who receive PEG-IFNα treatment, thereby increasing the CHB functional cure rate.

  ➢ Translational research data from Brii Bio's Phase 1b/2a studies on BRII-179 and BRII-179 in combination with elebsiran suggest that BRII-179 may offer a unique opportunity to identify CHB patients who are able to elicit the necessary HBV-specific immune responses hence achieving a higher functional cure rate in the selected patients while sparing others from unnecessary treatments.

- The Company plans to initiate additional combination studies in the second half of 2024 to confirm the ability of BRII-179 to enhance HBV functional cure rate in combination with other modalities.
- On March 28, 2024, we presented data on patients meeting NRTI discontinuation criteria from its ongoing Phase 2 study of BRII-179 in combination with PEG-IFNα in CHB patients as an oral late-breaking presentation at the 33rd Conference of Asian Pacific Association for the Study of the Liver.

Elebsiran and Tobevibart Related Studies and Plans

Elebsiran (also known as BRII-835 or VIR-2218) is a N-Acetylgalactosamine-conjugated siRNA targeting all HBV viral RNAs that has shown to block viral transcription, reduce viral proteins and alleviate immune suppression.

Tobevibart (also known as BRII-877 or VIR-3434) is an investigational subcutaneously administered HBV-neutralizing monoclonal antibody designed to block entry of all 10 genotypes of HBV into hepatocytes and to reduce the level of virions and subviral particles in the blood. Tobevibart, which incorporates Xencor's Xtend™ and other Fc technologies, has been engineered to potentially function as a T-cell vaccine against HBV in infected patients, as well as to have an extended half-life.

- Completed enrollment in the Phase 2 study of elebsiran in combination with PEG-IFNα in the APAC regions including mainland China. The primary objectives of this study are to gain deeper insights into the contribution of elebsiran towards improving HBV cure rate relative to PEG-IFNα alone and to explore the role of BRII-179 in enriching patients to achieve better curative outcomes. Early topline result is expected in the fourth quarter of 2024.
- In November 2023, our partner, Vir, presented new MARCH Part B data at the AASLD The Liver Meeting. The data demonstrated an approximately three-fold higher response rate when adding tobevibart to a regimen of elebsiran with or without PEG-IFNα after 24 weeks of treatment (15.0% for tobevibart + elebsiran + PEG-IFNα and 14.3% for tobevibart + elebsiran). The data from cohorts undergoing 48 weeks of treatment will be available in the fourth quarter of 2024.
- In another late-breaker presentation at the AASLD The Liver Meeting, with an update at the 42nd Annual J.P. Morgan Healthcare Conference in January 2024, Vir shared initial SOLISTICE data from a small subset of chronic hepatitis delta participants. After 12 weeks of combination treatment with tobevibart and elebsiran, 5 of 6 participants achieved undetectable HDV RNA and 6 out of 6 were below the lower limit of quantitation. Additional data will be presented in the second quarter of 2024 and complete 24-week treatment data are expected in the fourth quarter of 2024.
- A Phase 1 study of tobevibart is ongoing in China. Human PK in mainland Chinese subjects will be compared to subjects from other APAC regions and Europe.

PreHevbri™ Related Updates and Plans

PreHevbri™ is a differentiated 3-antigen adult HBV prophylactic vaccine. It is currently approved for adult use under the brand name PreHevbrio® in the United States and Canada, under the brand name PreHevbri™ in the European Union, European Economic Area, United Kingdom, and under the brand name Sci-B-Vac® in Israel.

- In July 2023, the Company secured exclusive development and commercialization rights for PreHevbri™ in Greater China and certain other Asia Pacific regions (excluding Japan) and has submitted two pre-INDs to the CDE for PreHevbri™'s registration plan in China. A Market Authorization Application has also been filed in Hong Kong. Currently, the Company is actively seeking partnership for the commercialization of PreHevbri™.

Additional Clinical and Pre-Clinical Development Updates

Based on the Company's strategy to focus on its advanced HBV programs, the Company is pursuing partnership opportunities for the continued development of these programs.

Multidrug – and Extensively Drug-Resistant Gram-Negative Bacteria Infections Program

BRII-693 is a novel synthetic lipopeptide in development for the treatment of MDR/XDR gram-negative bacterial infections. Based on a combination of increased in vitro and in vivo potency, and an improved safety profile compared with currently available polymyxins, BRII-693 has the potential to be an important addition to the arsenal of hospital-administered intravenous antibiotics for the treatment of critically ill patients with gram-negative bacterial infections. BRII-693 has a highly differentiated safety and efficacy profile to address the most difficult-to-treat infections due to Acinetobacter baumannii and Pseudomonas aeruginosa, including infections due to MDR/XDR isolates resistant to carbapenem antibiotics.

The U.S. FDA has designated BRII-693 to be a QIDP, which provides incentives for the development of this agent in the U.S., including priority review and eligibility for the U.S. FDA's Fast Track Designation. There is also the potential for extension of regulatory and market exclusivity in the U.S.

- In June 2023, we gained exclusive global rights to develop and commercialize BRII-693, a novel polymyxin for the treatment of serious gram-negative infections. The Company is seeking strategic funding partners to expedite the development of BRII-693, a novel antibiotic intended to help tackle the growing worldwide threat of antimicrobial resistance.

- In April 2023, we submitted a pre-IND to the NMPA of China for the development of BRII-693 with plans to initiate one Phase 1 PK bridging study in China. Additional clinical PK studies to enable the initiation of a Phase 3 trial are in planning. These studies are crucial to support global development efforts. A large, global Phase 3 registrational trial in hospital-acquired bacterial pneumonia/ventilator-associated bacterial pneumonia, is expected to begin in 2025.

HIV Infection Programs

BRII-753 is an internally discovered NCE currently in the preclinical stage of development. BRII-753 is being developed as a long-acting subcutaneous injection with potential for dosing once monthly, once quarterly, or twice yearly, and can be used in a combination therapy for HIV treatment and as monotherapy for pre-exposure prophylaxis.

- The Company is currently pursuing partnership opportunities for further development of BRII-753.

BRII-732 is a proprietary prodrug NCE that, upon oral administration, is rapidly metabolized into EFdA and is under evaluation as a potential HIV treatment or prevention option. BRII-732 is a NRTTI, acting as both a chain terminator and translocation inhibitor of HIV.

- BRII-732 has completed Phase 1 studies with the potential for development as part of an oral, once-weekly, long-acting combination treatment option for HIV patients.

NTM Lung Disease Program

BRII-658 (Epetraborole) is a boron-containing, small molecule inhibitor of mycobacterial leucyl-tRNA synthetase, or LeuRS, an enzyme involved in protein synthesis. We hold a license to develop, manufacture, and commercialize epetraborole (BRII-658) in the Greater China.

- In February 2024, our partner, AN2, announced a voluntary pause of its Phase 3 enrollment in a Phase 2/3 clinical trial for epetraborole for the treatment-refractory Mycobacterium avium complex lung disease, pending further data review.

Postpartum Depression and Major Depressive Disorders Programs

BRII-296 is our novel, long-acting and single injection therapeutic candidate under development for the treatment of PPD/MDD. It acts as a gamma-aminobutyric acid A receptor positive allosteric modulator and is designed to provide a rapid, profound and sustained reduction in depressive symptoms of PPD/MDD with the potential to lead to greater adherence, convenience and fewer side effects compared to the current standard of care.

- In September 2023, the first patient was dosed in the Phase 2 study evaluating BRII-296, a LAI therapy in development for the treatment of PPD. The Company expects data readouts from the Phase 2 trial by the second quarter of 2024.

BRII-297 is a new chemical entity discovered internally and under development as a long-acting injectable treatment of various anxiety and depressive disorders.

- Dosing has been completed in a Phase 1 clinical trial for BRII-297, a LAI being developed to treat anxiety and depressive disorders. The study aims to evaluate the safety, tolerability, and pharmacokinetics of BRII-297 in healthy volunteers with data expected by the second half of 2024.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ANY OF THE ABOVE PRE-CLINICAL STAGE OR CLINICAL STAGE DRUG CANDIDATES SUCCESSFULLY.

Other Corporate Developments

- The Company has appointed Dr. Brian A. Johns as Chief Scientific Officer to oversee its discovery programs and shape the Company's future pipeline strategy. Our new organizational strategy is underpinned by highly experienced leaders in infectious diseases who are committed to clear deliverables across the Company's pipeline.
- The Company continues to receive broad industry recognition for its corporate and clinical development accomplishments, including "2023 PharmaVoice 100 Top Industry Leaders" by PharmaVoice, "Most Promising Hong Kong Listed Pharmaceutical Companies" by Sina Finance, and maintained an "A" rating from the MSCI ESG Rating.

Research and Development

We are a biotech company primarily engaged in pharmaceutical R&D activities. We believe that R&D is fundamental to shaping our therapeutic strategy and maintaining our competitiveness in the biopharmaceutical industry. We prioritize diseases based on patients' needs, aiming to provide viable solutions to prevalent infectious diseases and central systems disorder diseases. Leveraging our team primarily located in China and partnerships in the U.S., we expedite clinical development more swiftly in China, or participate in late-stage global studies, driven by our shared vision of delivering world-class medicines.

Our R&D capabilities, both in-house and through collaborations, enable us to discover and develop innovative therapies for China and globally. Led by industry veterans, our in-house R&D team is supported by a strong scientific advisory board and strategic partnerships with global pharmaceutical and biotech companies, CROs, CMOs, CDMOs and research institutions. With cross-border organic operations as a competitive advantage, we plan to further enhance our capacity and capabilities.

Our in-house R&D capabilities are led by industry veterans who impart the Company with their large pharma experience in drug discovery and clinical development, including Chief Executive Officer Dr. Zhi Hong; Chief Medical Officer Dr. David Margolis; Chief Scientific Officer Dr. Brian A. Johns; and Head of China R&D Dr. Qing Zhu. Guided by our esteemed Board and scientific advisory board members, who possess diverse industry expertise and a track record of successful drug development, our R&D efforts are driven by leading experts across multiple disciplines.

By design, our multi-pronged R&D strategies entail R&D expenses that vary with the number and scale of projects each year. Our R&D expenses were RMB402.7 million for the year ended December 31, 2023. We intend to continue leveraging our technology and R&D capabilities to broaden our life sciences research and application capabilities and product candidate portfolio.

Commercialization

Our pipeline includes therapeutic candidates with a mix of in-licensed Greater China rights and global rights.

As of the date of this annual report, our efforts have primarily focused on building our therapeutic candidate pipeline. Most of our programs are in various stages of clinical development and we do not anticipate sales or commercialization of other drug candidates in the immediate future. For PreHevbri™, we are seeking partnerships for commercialization in APAC regions. As our pipeline gradually matures, we will evaluate strategic commercialization options, ensuring that we maximize their potential to address critical unmet needs.

FUTURE DEVELOPMENT

Carrying on with our corporate strategy of devoting to alleviating public health burden and improving patients' experience through developing innovative treatment options, the Company strives to further advance our diverse pipelines by leveraging our in-house capabilities and exploring external partnership.

As a leading company in HBV functional cure area, we will keep focusing on increasing the functional cure rate through different combination treatments. Together with our partner Vir, we will further evaluate our combination treatment regimens under development for a higher functional cure rate for HBV infection leveraging the additional data available from several ongoing trials, and plan to initiate definitive clinical studies to bring a combination treatment regimen to the next stage of development in the Greater China. On the other hand, given that our research candidates are approaching late-stage development, we have considered to establish a cost-effective manufacturing and supply chain management plan, starting with the technology transfer of BRII-179.

For our other programs, we are seeking partnerships for continued development of our current CNS candidates, HIV program and commercialize PreHevbri™ in China and other Asia Pacific regions.

For a long run, we will keep expanding our pipeline through in-house discovery and additional licensing options, explore business development opportunities that expedite global regulatory approval by in-licensing therapies for use in China and out-licensing internally discovered therapeutic candidates for use in international markets. As the Company has stepped into its second five-year period, we redirect our discovery strategy with greater focus on platforms and disease areas consistent with the long-term pipeline interest, priority and strategy of the Company. To support sustainable long-term development, we will continue to optimize our organization to deliver innovation and support our business development aligned with our mission to tackle the world's biggest challenges in public health.

ADDITIONAL INFORMATION

Passive Foreign Investment Company ("PFIC") Status

Based on the nature and composition of our income, assets and activities for our taxable year ending December 31, 2023, and assessments with respect to the characterization of our income and assets as active or passive, the Company, Brii Biosciences Offshore Limited (a wholly-owned subsidiary of the Company) and TSB Pharmaceutical Co. Limited (a 72.8%-owned subsidiary of the Company) (the "**Relevant Companies**") meet the Internal Revenue Code definition of a passive foreign investment company for the taxable year ended December 31, 2023.

The Company has made available PFIC Annual Information Statements for the Relevant Companies for their taxable year ending December 31, 2023 pursuant to the requirements of Treasury Regulation Section 1.1295-1(j)(1) (the "**2023 PFIC Annual Information Statements**") in a notification letter published on the website of the Stock Exchange and the website of the Company on April 12, 2024 (the "**PFIC Notification Letter**"). For the details of the PFIC status of the Relevant Companies and 2023 PFIC Annual Information Statements, please refer to the PFIC Notification Letter.

FINANCIAL REVIEW

1. Revenue

Our revenue was decreased by RMB51.0 million from RMB51.6 million for the year ended December 31, 2022 to RMB0.6 million for the year ended December 31, 2023 due to the discontinuation of COVID-19 programs.

2. Other income

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Bank interest income	108,023	37,204
Government grants	55,274	70,310
Others	431	343
Total	163,728	107,857

Our other income was increased by RMB55.8 million from RMB107.9 million for the year ended December 31, 2022 to RMB163.7 million for the year ended December 31, 2023. This was mainly due to the increased bank interest income of RMB70.8 million attributable to the rising interest rates on USD and HKD time deposits. The increase of bank interest income was partially offset by the decrease of government grants income of RMB15.0 million. These grants mainly represent the incentive and other subsidies from the PRC government which are for R&D activities and are recognized upon compliance with the attached conditions.

3. Other gains and losses

Our other gains and losses were increased by RMB264.7 million from losses of RMB12.3 million for the year ended December 31, 2022 to gains of RMB252.4 million for the year ended December 31, 2023. The increase was primarily attributable to the fair value gain on financial assets and the acquired intangible asset.

4. Fair value loss on equity instruments at FVTOCI

Our fair value loss on equity instruments at FVTOCI was decreased by RMB10.5 million from loss of RMB30.1 million for the year ended December 31, 2022 to loss of RMB19.6 million for the year ended December 31, 2023. The amount represents the equity investment in a biopharmaceutical company listed in the USA. The fair value of the listed equity investment is measured based on quoted market price.

5. Research and development expenses

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Third-party contracting cost	218,363	253,020
Employee cost	174,815	169,544
Licensing fees	–	6,728
Amortization	1,358	2,745
Others	8,169	8,597
Total	402,705	440,634

Our research and development expenses were decreased by RMB37.9 million from RMB440.6 million for the year ended December 31, 2022 to RMB402.7 million for the year ended December 31, 2023. The decrease was primarily attributable to the decrease in third-party contracting cost of RMB34.6 million mainly relating to COVID-19 programs. The decrease was partially offset by the increase in employee cost by RMB5.3 million mainly due to the increase in average headcount of research and development personnel to further enhance our in-house research and development capabilities during the year.

6. Administrative expenses

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Employee cost	126,498	100,849
Professional fees	27,117	33,490
Depreciation and amortization	14,316	14,315
Office expenses	4,489	2,992
Others	24,079	16,983
Total	196,499	168,629

Our administrative expenses were increased by RMB27.9 million from RMB168.6 million for the year ended December 31, 2022 to RMB196.5 million for the year ended December 31, 2023. This was primarily attributable to the employee cost increased by RMB25.7 million from RMB100.8 million for the year ended December 31, 2022 to RMB126.5 million for the year ended December 31, 2023, which was primarily attributable to the increase in average employee headcount in 2023 and one-off reversal in share-based compensation cost in 2022. In addition, the other expenses increased by RMB7.1 million were mainly due to the increased IT expense for software license.

7. Liquidity and Capital resources

As of December 31, 2023, our bank and cash balances, including restricted bank deposits and time deposits, decreased to RMB2,661.4 million from RMB2,999.3 million as of December 31, 2022. The decrease was primarily due to payout of daily operations and third-party contracting cost.

8. Non-IFRS measures

To supplement the Group's consolidated financial statements, which are presented in accordance with the IFRS, we also use 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. We believe that these adjusted measures provide useful information to shareholders and potential investors in understanding and evaluating our consolidated results of operations in the same manner as they help our management.

Adjusted loss for the year represents the loss for the year excluding the effect of certain non-cash items and one-time events, namely share-based compensation 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, our results of operations or financial condition as reported under IFRS. The presentation of such adjusted figures may not be comparable to a similarly titled measure presented by other companies. However, we believe that this and other non-IFRS measures are reflections of our normal operating results by eliminating potential impacts of items that the management does not consider to be indicative of our operating performance, and thus facilitate comparisons of operating performance from period-to-period and company-to-company to the extent applicable.

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

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Loss for the year	(184,370)	(489,781)
Added:		
Share-based compensation	64,223	77,928
Adjusted loss for the year	(120,147)	(411,853)

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

	Year ended December 31, 2023 RMB'000	Year ended December 31, 2022 RMB'000
Research and development expenses for the year	(402,705)	(440,634)
Added:		
Share-based compensation	29,756	44,245
Adjusted research and development expenses for the year	(372,949)	(396,389)

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

	Year ended December 31, 2023 RMB'000	Year ended December 31, 2022 RMB'000
Administrative expenses for the year	(196,499)	(168,629)
Added:		
Share-based compensation	37,306	25,448
Adjusted administrative expenses for the year	(159,193)	(143,181)

9. Key financial ratios

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

	As at December 31, 2023	As at December 31, 2022
Current ratio[1]	2,211%	1,343%
Gearing ratio[2]	NM	NM

(1) Current ratio is calculated using current assets divided by current liabilities as of the same date. Current ratio increased mainly due to the decrease in other payables as we have paid out most of the payables for third-party contracting cost.

(2) Gearing ratio is calculated using interest-bearing borrowings less cash and cash equivalents divided by (deficiency of) total equity and multiplied by 100%. Gearing ratio is not meaningful as we do not have any interest-bearing borrowings.

10. Indebtedness

Borrowings

As at December 31, 2023, the Group did not have any unutilized bank facilities, material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, hire purchase commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured.

Contingent Liabilities

As at December 31, 2023, the Group did not have any contingent liabilities.

Lease liabilities

We lease our office places under operating lease arrangements. Leases for office places are negotiated for terms ranging mainly from three to five years. As at December 31, 2023, the Group had lease liabilities of RMB3.2 million recognized under IFRS 16.

11. Significant investments, material acquisitions and disposals

As at December 31, 2023, the Group did not hold any significant investments. For the year ended December 31, 2023, the Group did not have material acquisitions or disposals of subsidiaries, associates, and joint ventures.

12. Charge on the Group's assets

As at December 31, 2023, none of the Group's assets were charged with any parties or financial institutions (as at December 31, 2022: nil).

13. Foreign exchange exposure

We are exposed to foreign exchange risk arising from certain currency exposures. Our reporting currency is RMB, but a significant portion of our operating transactions, assets, and liabilities are denominated in other currencies such as USD and are exposed to foreign currency risk. We currently do not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

As at December 31, 2023, the Group's restricted bank deposits, time deposits with original maturity over three months and bank balances and cash were denominated as to 37.9% in US dollars, 42.9% in Hong Kong dollars, and 19.2% in RMB.

14. Employees and remuneration

As at December 31, 2023, we had a total of 128 employees. The following table sets forth the total number of employees by function as of December 31, 2023:

Function	Number of employees	% of total
Research and development	91	71%
Administration	37	29%
Total	128	100%

We enter into individual employment contracts with our employees to cover matters such as wages, benefits, equity incentive, and grounds for termination. We generally formulate our employees' remuneration package to include salary, bonus, equity incentive and allowance elements. Our compensation programs are designed to remunerate our employees based on their performance, measured against specified objective criteria. We also provide our employees with welfare benefits in accordance with applicable regulations and our internal policies.

The Group also has adopted share incentive schemes for the purpose of providing incentives and rewards to its employees.

In accordance with applicable regulations in the PRC, we participate in a pension contribution plan, a medical insurance plan, an unemployment insurance plan, and a personal injury insurance plan for our employees. We have made adequate provisions in accordance with applicable regulations. Additionally, in accordance with PRC regulations, we make annual contributions toward a housing fund, a supplemental medical insurance fund, and a maternity fund.

We provide formal and comprehensive company-level and department-level training to our new employees followed by on-the-job training. We also provide training and development programs to our employees from time to time to ensure their awareness and compliance with our various policies and procedures. Some of the training is conducted jointly by different groups and departments serving different functions but working with or supporting each other in our day-to-day operations.

The total remuneration cost incurred by the Group for the year ended December 31, 2023 was RMB302 million, as compared to RMB294 million for the year ended December 31, 2022.

15. Treasury policy

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

Executive Directors

Dr. Zhi HONG, aged 60, was appointed as a Director on March 2, 2018, and re-designated as an executive Director and appointed as the chairman of the Board on March 24, 2021. He has been the chief executive officer of the Company since February 23, 2018 and a member of the Nomination Committee since September 1, 2022. He was the chairman of the Nomination Committee from July 13, 2021 to September 1, 2022, and the chairman of the Strategy Committee from July 13, 2021 to September 30, 2022.

Since January 2018, Dr. Hong has been serving as a director and the chief executive officer of Brii Biosciences, Inc. Since February 2019, he has been serving as a director and the chairman of the board of Brii Biosciences (Shanghai) Co. Limited* (騰盛博藥醫藥技術(上海)有限公司) (“**Brii Shanghai**”) and Brii Biosciences (Beijing) Co. Limited* (騰盛博藥醫藥技術(北京)有限公司) (“**Brii Beijing**”). In addition, since May 2018 and November 2018 respectively, he has been serving as a director of Brii Biosciences Offshore Limited and Brii Biosciences (Hong Kong) Co. Limited (騰盛博藥醫藥技術(香港)有限公司) (“**Brii HK**”).

Dr. Hong has over 25 years of experience in the biopharmaceutical industry. Prior to founding the Group, he was a senior vice president of GlaxoSmithKline plc. (“**GSK**”), a pharmaceuticals, vaccines and consumer healthcare products company listed on the New York Stock Exchange in the United States (stock code: GSK), and he was responsible to head the infectious diseases therapy area unit from April 2007 to March 2018. He was also a director of ViiV Healthcare Limited (“**ViiV**”), a subsidiary of GlaxoSmithKline plc. in the United Kingdom engaged in the research and development of HIV medicines, and he was responsible for overseeing the research and development of HIV treatment and prevention therapies from October 2009 to March 2018. He was an executive vice president of research and chief scientific officer of Ardea Biosciences, Inc., a biopharmaceutical company in the United States, and he was responsible for the research and development of infectious diseases and oncology from December 2006 to March 2007. He was a vice president and head of research of Bausch Health Companies Inc. (formerly known as Valeant Pharmaceuticals International), a pharmaceutical company listed on the New York Stock Exchange in the United States (stock code: BHC), and he was responsible for the research and development of infectious diseases, oncology and neuroscience R&D from June 2000 to March 2007.

Dr. Hong obtained his Bachelor of Science in Biochemistry from Fudan University in China in July 1985 and a Ph.D. in Biochemistry from State University of New York in the United States in January 1992.

DIRECTORS AND SENIOR MANAGEMENT

Dr. Ankang LI (李安康), aged 46, was appointed as an executive Director and the chairman of the Strategy Committee with effect from September 30, 2022 and as the chief executive officer of TSB Therapeutics (Beijing) Co. Limited, an indirect non-wholly owned subsidiary of the Company, with effect from September 16, 2022. He has been serving as the chief financial officer, company secretary and chief strategy officer of the Company since September 1, 2020, April 8, 2021 and March 22, 2022, respectively, responsible for overseeing financial, accounting, IT, legal, intellectual property, corporate development, procurement, investor relations and communication on matters of the Group. Dr. Li has also been serving as a director of Brii Beijing, Brii Shanghai, Brii HK and Brii Biosciences Pty Ltd since August 2021, July 2021, June 2021 and March 2023, respectively.

Dr. Li has more than ten years of experience in investment banking, business development, legal transaction and biomedical research. Prior to joining the Group, he was the chief financial officer of Terns Pharmaceuticals, Inc., a clinical-stage biopharmaceutical company listed on NASDAQ Stock Exchange in the United States (stock code: TERN), and he was responsible for overseeing financial operation from June 2019 to August 2020. He was an executive director within the corporate finance department division of Goldman Sachs, an investment bank, and he was responsible for providing financial advisory services from January 2018 to June 2019. He was a director of the business development department of MSD R&D (China) Co., Ltd., a China subsidiary of a global pharmaceutical company Merck Sharp & Dohme Corporation ("**MSD**"), and he was responsible for overseeing business development and licensing transactions of MSD Asia Pacific Innovation Hub from September 2016 to December 2017. He was an associate of Ropes & Gray LLP, a global law firm, and he was responsible for providing legal advisory services in corporate transactions from August 2014 to September 2016. He was an associate of Davis Polk & Wardwell LLP, a global law firm, and he was responsible for providing legal advisory services in corporate transactions from September 2012 to August 2014. From September 2007 to September 2009, he was a research associate of Salk Institute for Biological Studies, a scientific research institute in the United States, conducting postdoctoral scientific research.

Dr. Li obtained his Bachelor of Science in Biochemistry from Fudan University in China in July 1999, a Master of Science in Biological Sciences from National University of Singapore in Singapore in October 2002, a Ph.D. in Biomedical Sciences from Baylor College of Medicine in the United States in June 2007 and a Juris Doctor degree from The University of Chicago Law School in the United States in June 2012. Dr. Li was also admitted to the New York Bar in January 2013 and was qualified as a Chartered Financial Analyst of the CFA Institute in August 2016.

Non-executive Director

Mr. Robert Taylor NELSEN, aged 60, was appointed as a Director on June 22, 2018 and re-designated as a non-executive Director on March 24, 2021. He has also been serving as a member of the Strategy Committee since July 13, 2021.

Since 1994, Mr. Nelsen has been serving as a co-founder and managing director of ARCH Venture Partners, a venture capital firm focused on early-stage technology companies, and he has played a significant role in the early sourcing, financing and development of more than 30 biopharmaceutical companies. In addition, he has been serving as a non-executive director, the chairman of the board, the chairman of the nomination committee and a member of the strategy committee of Hua Medicine (a company listed on the Stock Exchange (stock code: 2552) which is principally engaged in the development of a global first-in-class oral drug for the treatment of diabetes) since May 2018. He has also been serving as a director of Prime Medicine, Inc (stock code: PRME) since October 2022, Sana Biotechnology, Inc (stock code: SANA) since September 2018, Lyell Immunopharm (stock code: LYEL) since August 2018, and Vir Biotechnology Inc. (stock code: VIR) since January 2017, all of which are companies listed on NASDAQ Stock Exchange in the United States.

Mr. Nelsen previously served as a director of Renovation Healthcare Acquisition Corp. (stock code: REVH) from March 2021 to April 2022, Sienna Biopharmaceuticals, Inc. (stock code: SNNA) from August 2015 to October 2018, Syros Pharmaceuticals, Inc. (stock code: SYRS) from August 2012 to June 2018, Juno Therapeutics, Inc. (stock code: JUNO) from August 2013 to March 2018, KYTHERA Biopharmaceuticals, Inc. (stock code: KYTH) from January 2006 to December 2014, Agios Pharmaceuticals Inc. (stock code: AGIO) from December 2007 to June 2017, Sage Therapeutics, Inc. (stock code: SAGE) from September 2013 to March 2016, Bellerophon Therapeutics, Inc. (stock code: BLPH) from February 2014 to November 2015, Adolor Corporation (stock code: ADLR) from November 1994 to May 2004, Illumina, Inc. (stock code: ILMN) from June 1998 to August 2006, Fate Therapeutics, Inc. (stock code: FATE) from September 2007 to June 2014, NeurogesX, Inc. (stock code: NGSX) from July 2000 to July 2013, Unity Biotechnology, Inc. (stock code: UBX) from November 2011 to December 2020, Karuna Therapeutics Inc. (stock code: KRTX) from August 2018 to June 2021, Beam Therapeutics Inc. (stock code: BEAM) from June 2017 to June 2021, and Denali Therapeutics, Inc. (stock code: DNLI) from May 2015 to June 2022, all of which are companies listed on NASDAQ Stock Exchange in the United States. Subsequent to June 29, 2012, NGSX shares were quoted on the Over the Counter Bulletin Board in the United States. Mr. Nelsen also previously served as a trustee of Fred Hutchinson Cancer Research Center.

Mr. Nelsen obtained his Bachelor of Science with majors in Economics and Biology from the University of Puget Sound in the United States in June 1985 and a Master of Business Administration from the University of Chicago in the United States in June 1987.

Independent Non-Executive Directors

Dr. Martin J MURPHY JR, aged 81, was appointed as an independent non-executive Director on June 22, 2021 (with effect from July 13, 2021). Dr. Murphy Jr has also been the chairman of the Remuneration Committee and a member of the Nomination Committee since July 13, 2021. He was a member of the Audit and Risk Committee from July 13, 2021 to September 1, 2022.

Dr. Murphy Jr has been serving as the chairman and the chief executive officer of AlphaMed Consulting, Inc., a biomedical consulting company, since March 2003. He provides executive consultation on cancer drug development, clinical trial design, key thought leader identification and strategic analysis of big data and artificial intelligence to both corporate executives as well as cancer drug developers. Dr. Murphy Jr was the founding chief executive officer of CEO Roundtable on Cancer, a non-profit organization that works to develop and implement initiatives that reduce the risk of cancer, from August 2000 to January 2020. He received the Charles A. Sanders Life Sciences Award presented by Life Sciences Consortium and CEO Roundtable on Cancer in November 2019. Dr. Murphy Jr has been the Emeritus Director of the CEO Roundtable on Cancer since January 2021. He has also been a fellow of the American Society of Clinical Oncology since 2013.

Dr. Murphy Jr was awarded a Master of Science in Biology from New York University in the United States in February 1967, a Ph.D in Biology from New York University in the United States in June 1969 and a Doctor of Medical Science (honoris causa) from Queen's University of Belfast in the United Kingdom in July 2009.

Ms. Grace Hui TANG, aged 64, was appointed as an independent non-executive Director on June 22, 2021 (with effect from July 13, 2021). Ms. Tang has also been serving as the co-chairlady of the Audit and Risk Committee and a member of the Remuneration Committee since July 13, 2021.

Ms. Tang has been serving as a director and a member of the audit committee of Textainer Group Holdings Limited, a container leasing company listed on the New York Stock Exchange in the United States (stock code: TGH) since July 2020, a director and the chair of the audit committee of ECARX Holdings Inc, a company listed in the NASDAQ Stock Exchange in the United States (stock code: ECX) since March 2021, a director and members of the audit committee and the operation committee of Elkem ASA, a company listed on the Oslo Stock Exchange in Norway (stock code: ELK) since April 2021. She has been serving as a professor and interviewer of Peking University's Guanghua School of Management, and she is responsible for teaching graduate accounting program and interviewing MBA candidates since September 2018. Ms. Tang held several positions in China, Hong Kong and US Silicon Valley offices in PricewaterhouseCoopers, an accounting firm, from March 1990 to June 2020 and her last position therein was partner in the assurance department in China office and she was responsible for overseeing audit work.

Ms. Tang obtained her Bachelor of Science with majors in Accounting from the University of Utah in the United States in June 1982 and a Master of Business from Utah State University in the United States in June 1984. Ms. Tang has been a certified public accountant of the California Board of Accountancy of the United States since December 1993. She has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since July 1995. She has been a fellow of the Hong Kong Institute of Certified Public Accountants since March 2003.

Mr. Yiu Wa Alec TSUI (徐耀華), aged 74, was appointed as an independent non-executive Director on June 22, 2021 (with effect from July 13, 2021). Mr. Tsui has also been serving as members of the Audit and Risk Committee and the Remuneration Committee since July 13, 2021, and he was a member of the Nomination Committee from July 13, 2021 to September 1, 2022.

Mr. Tsui has over 40 years of experience in finance and administration, corporate and strategic planning, information technology and human resources management. Mr. Tsui has been an independent non-executive director of a number of companies listed on the Stock Exchange, namely, COSCO Shipping International (Hong Kong) Co., Ltd. (a company engaged in ship-related businesses) (stock code: 517) since February 2004, Pacific Online Limited (a company engaged in the provision of Internet advertising services) (stock code: 543) since November 2007 and Hua Medicine (a company engaged in the development a global first-in-class oral drug for the treatment of diabetes) (stock code: 2552) since September 2018. He has also been serving as the independent director of a number of companies listed on NASDAQ Stock Exchange in the United States, namely, ATA Creativity Global (a company providing educational services) (stock code: AACG) since January 2008 and Melco Resorts & Entertainment Limited (a developer, owner and operator of casino gaming and entertainment casino resort facilities in Asia) (stock code: MLCO) since December 2006. Since August 2000, he has also been an independent non-executive director of Industrial & Commercial Bank of China (Asia) Limited, a company previously listed on the Stock Exchange (stock code: 349) and was delisted with effect from December 21, 2010. In addition, Mr. Tsui has been serving as a director to WAG Worldsec Management Consultancy Limited, a consulting company, and he is responsible for setting the strategic direction of the company and the day-to-day management of the company since April 2006.

Mr. Tsui served as independent non-executive directors in various other Hong Kong listed companies, including China Oilfield Services Limited (an integrated oilfield services providers) (stock code: 2883) from June 2009 to June 2015, China Power International Development Limited (a Chinese electric power company) (stock code: 2380) from March 2004 to December 2016, Summit Ascent Holdings Limited (a company engaged in leisure facilities and services) (stock code: 102) from March 2011 to September 2018, Kangda International Environmental Company Limited (a company engaged in the constructions and operations of wastewater treatment business) (stock code: 6136) from October 2013 to April 2019, DTXS Silk Road Investment Holdings Company Limited (a company engaged in e-commerce business) (stock code: 620) from December 2015 to May 2020 and Melco Resorts and Entertainment (Philippines) Corporation (a company which owns and operates casinos) listed on the Philippine Stock Exchange (stock code: MRP) from December 2012 to November 2020.

Mr. Tsui was the chairman and director of WAG Worldsec Corporate Finance Limited, a private professional consulting services and financial solutions company, and he was responsible for setting the strategic direction of the company, the supervision of regulatory activities licensed under the SFC and the day-to-day management of the company from November 2003 to February 2017. He was the chief executive of WAG Financial Services Group Limited, a financial service company, and he was responsible for setting the strategic direction of the company, the supervision of regulatory activities licensed under the SFC and the day-to-day management of the company from April 2001 to November 2006. He was also the chairman of Hong Kong Securities Institute from December 2001 to December 2004. He was the consultant of the Shenzhen Stock Exchange from July 2001 to June 2002. He joined the Stock Exchange as the executive director of the finance and operations services division in January 1994 and served various positions in the Stock Exchange, including the chief executive of the Stock Exchange from February 1997 to August 2000 and the chief operating officer of Hong Kong Exchanges and Clearing Limited from March 2000 to August 2000. Before that, he held several positions in the SFC since January 1989, including the general manager of the finance and information technology department. He held several positions in China Light & Power Co., Ltd. (currently known as CLP Power Hong Kong Limited, a wholly-owned subsidiary of CLP Holdings Limited which is listed on the Stock Exchange (stock code: 2)) from May 1980 to December 1988 and his last position therein was manager of the financial planning and analysis department. He was an analyst of Arthur Andersen & Co., an accounting firm, from October 1976 to May 1979.

Mr. Tsui was admitted as a member of the Hong Kong Securities and Investment Institute in November 1998 and became the senior fellow of the Hong Kong Securities and Investment Institute in September 2014. Mr. Tsui obtained his Bachelor of Science in Industrial Engineering from the University of Tennessee in the United States in June 1975 and a Master of Engineering from the University of Tennessee in the United States in August 1976. He also completed the Program for Senior Managers in Government at the John F. Kennedy School of Government at Harvard University in the United States in August 1993.

Mr. Gregg Huber ALTON, aged 58, was appointed as an independent non-executive Director on June 22, 2021 (with effect from July 13, 2021). Mr. Alton has also been a member of the Strategy Committee and the chairman of the Nomination Committee since July 13, 2021 and September 1, 2022, respectively.

Mr. Alton has been serving as a director and a member of the audit committee of Novavax, Inc., a vaccine development company listed on NASDAQ Stock Exchange in the United States (stock code: NVAX) since November 2020 and December 2020, respectively. He has been serving as a director, the chairman of the audit committee, and a member of the compensation committee of Corcept Therapeutics Incorporated, a pharmaceuticals company listed on NASDAQ Stock Exchange in the United States (stock code: CORT) since March 2020. Further, Mr. Alton has been serving as a director, a member of the audit committee and the chair of the nominating and corporate governance committee of Enochian Biosciences Inc., a pharmaceuticals company listed on NASDAQ Stock Exchange in the United States (stock code: ENOB) since December 2019.

Mr. Alton held several positions in Gilead Sciences, Inc. (“**Gilead**”), a biopharmaceutical company listed on NASDAQ Stock Exchange in the United States (stock code: GILD) from October 1999 to January 2020, including general counsel, chief patient officer, interim chief executive officer and senior advisor of Gilead, and he was responsible for the company’s government affairs, public affairs, patient outreach and engagement initiatives, and led the company’s international commercial operations and corporate affairs groups. Mr. Alton was an associate at Cooley Godward, LLP, a law firm, between November 1993 to December 1996, and June 1998 to October 1999. He was an associate attorney at Mintz Levin P.C., a law firm, from January 1997 to May 1998.

Mr. Alton obtained his Bachelor of Arts with a major in legal studies from the University of California in Berkeley, the United States in May 1989, and a Doctor of Jurisprudence from The Leland Stanford Junior University in the United States in June 1993. Mr. Alton was also admitted as an attorney and counselor at law by the supreme court of the state of California between June 1994 and July 2019.

Dr. Taiyin YANG (楊台瑩), aged 70, was appointed as an independent non-executive Director with effect from September 1, 2022. Dr. Yang has also been the co-chairlady of the Audit and Risk Committee and a member of the Strategy Committee since September 1, 2022.

Dr. Yang has more than four decades of experience in developing and manufacturing medicines in several therapeutic categories. Dr. Yang has been serving as a director of the board and a member of the audit committee of Kodiak Sciences Inc., a biopharmaceutical company listed on NASDAQ Stock Exchange in the United States (stock code: KOD), since December 2019. She has been serving as a director of the board and a member of the nominating and governance committee of Kronos Bio, Inc., a biopharmaceutical company listed on NASDAQ Stock Exchange in the United States (stock code: KRON), since March 2021 and a member of its audit committee since August 2022, respectively. She has been serving as a member of the expert scientific advisory committee of Medicines for Malaria Venture, a non-profit research and development organization, since March 2020. She has been serving as a member of the scientific advisory board of Sionna Therapeutics since August 2022.

Dr. Yang held several positions in Gilead, a biopharmaceutical company listed on NASDAQ Stock Exchange in the United States (stock code: GILD), from March 1993 to July 2022, including director of analytical chemistry and senior vice president of pharmaceutical development and manufacturing. Her last position at Gilead was executive vice president of pharmaceutical development and manufacturing, during which she was responsible for development and manufacturing for Gilead’s small molecules, biologics and antibody-drug conjugates in development programs and commercial products. She directed operations of process, device and formulation development, manufacturing, packaging, analytical operations, laboratory information systems and data science, quality assurance, regulatory affairs, chemistry, manufacturing and controls processes program management, product distribution, supply chain management and site operations including production, quality control, technical services, facility, engineering and environment, health and safety. Under her leadership, Gilead developed the world’s first human immunodeficiency virus single tablet regimen in 2006 and advanced numerous compounds from early-stage development to market, reaching millions of people around the world. During her tenure at Gilead, she also served as the executive sponsor for Gilead Asian Interest Network, an employee resource group established in April 2018, to promote, support and encourage inclusion and diversity. Before that, she held various positions in Syntex Corporation from January 1980 to March 1993, including staff researcher, department head of methods development and director of chemical analysis, supporting drug development.

Dr. Yang has been admitted as a fellow of the American Institute for Medical and Biological Engineering in March 2021 and was elected as a member of the National Academy of Engineering in February 2022. Dr. Yang obtained a Bachelor of Science Degree in Chemistry from the National Taiwan University in Taiwan, the People's Republic of China in June 1974, and a Ph.D. in Organic Chemistry from University of Southern California in the United States in January 1980.

SENIOR MANAGEMENT

Our senior management team, in addition to our Directors listed above, is as follows:

Dr. Susannah CANTRELL, aged 54, was appointed as Chief Business Officer of the Company with effect from July 11, 2022. Dr. Cantrell brings with her more than 20 years of healthcare and biotechnology industry experience spanning global pipeline strategy, sales, operations, marketing and new product commercialization.

Prior to joining Brii Bio, Dr. Cantrell served as Chief Operating Officer and Chief Business Officer at Second Genome from November 2020 to July 2022, overseeing all aspects of operations across the growing company, including R&D, finance and facilities, among other key functions. Prior to that, she was Executive Vice President and Chief Commercial Officer at Tricida, Inc. from January 2019 to November 2020, where she established and built a high-performing U.S.-focused commercial organization. Dr. Cantrell held the role of Vice President and Head of Global Commercial Strategy and Marketing Oncology at Gilead where she was instrumental in leading and growing the company's oncology and inflammation businesses from November 2011 to January 2019. She also held various senior level and sales and marketing positions early on in her career at global pharmaceutical giants, Genentech, Inc/Roche Holding AG and GlaxoSmithKline plc.

Dr. Cantrell holds a B.A. in Biology from Westminster College in May 1991 and a Ph.D. in Biochemistry from the University of Missouri-Columbia in May 1998.

Dr. Eleanor (Ellee) DE GROOT, aged 55, was appointed as Chief Technology Officer of the Company with effect from August 2022. Dr. de Groot has more than two decades of experience leading a wide range of streamlined global operations across growing biotechnology companies, from early to late-stage clinical development and commercial-scale manufacturing.

Prior to joining Brii Bio, Dr. de Groot held key leadership roles during her career with Alaunos Therapeutics, Inc. from July 2015 to May 2022, most recently serving as Executive Vice President of Operations where she oversaw the development of novel cell therapy programs and led clinical manufacturing, quality and process development. In addition, Dr. de Groot held multiple roles of increasing responsibility within chemistry, manufacturing, and controls processes management in Helsinn Therapeutics, Inc. and its predecessor companies from April 2002 to July 2015 where she directed preparations for drug product commercialization, including global regulatory engagement, technology transfers and collaborations with key business partners worldwide.

Dr. de Groot holds both a Ph.D. and a Master of Science degree in chemical engineering from Stanford University in June 1995 and June 1991, respectively. She also held a Bachelor of Science degree in chemical engineering from Massachusetts Institute of Technology in June 1990 and a Master of Business Administration from Rice University in May 2014.

Dr. Brian Alvin JOHNS, aged 53, was appointed as Chief Scientific Officer of the Company with effect from January 3, 2024. Dr. Johns brings a wealth of experience from the pharmaceutical industry, with a proven track record of successfully building and leading teams in the discovery and early development of novel medicines.

Prior to joining Brii Bio, Dr. Johns was the chief scientific officer of HemoShear Therapeutics, Inc. from September 2019 to December 2023 and the vice president of external discovery sciences at ViiV from October 2018 to September 2019. From April 2016 to September 2019, he was the co-director of UNC HIV Cure Center and Qura Therapeutics, Inc. and served as an adjunct research associate professor of University of North Carolina at Chapel Hill. Before that, Dr. Johns held various leading positions in GSK (and predecessor company GlaxoWellcome) from September 1999 to October 2018. His last position in GSK was the vice president of the HIV discovery performance unit, where he led the GSK discovery business unit for the HIV therapy area. In that role, Dr. Johns was accountable for all aspects of the drug discovery strategy and execution. Dr. Johns is a co-inventor of two HIV medicines, dolutegravir and cabotegravir used worldwide for the treatment and prevention of HIV.

Dr. Johns holds a Bachelor of Science degree in Chemistry from Andrews University in June 1993 and received his Ph.D in Organic Chemistry from Wayne State University in August 1997. He also completed training as a National Institutes of Health Postdoctoral Fellow at the University of Virginia in August 1999.

Dr. David MARGOLIS, aged 49, has been serving as the vice president (head of infectious diseases therapy area) of our Company since October 1, 2020.

Prior to joining the Group, Dr. Margolis was Medical Director and Senior Medical Director for both GlaxoSmithKline plc. from January 2010 to May 2015 and ViiV from June 2015 to September 2020, serving as the lead physician for the clinical development program for the long-acting integrase inhibitor, cabotegravir. Within this role he created and executed the strategic plan for the clinical development of this first long-acting treatment regimen in HIV, CAB+RPV, inclusive of the clinical collaborations with Janssen Pharmaceuticals, Inc., The International Maternal Pediatric Adolescent AIDS Clinical Trials (IMPAACT) Network and the AIDS Clinical Trials Group, resulting in worldwide regulatory submissions and the first approval and launch of this novel approach to HIV therapy. Dr. Margolis also oversaw the clinical collaboration with the NIH for the evaluation of cabotegravir for the prevention of HIV and has worked across all stages of clinical development from pre-clinical discovery through Phase 3 and post-marketing studies. While at GlaxoSmithKline plc. and ViiV, Dr. Margolis maintained a clinical infectious disease practice, serving as an Assistant Consulting Professor in the Infectious Diseases Department of Duke University Medical Center for 8 years, caring for patients with infectious diseases and serving as the lead attending for the infectious disease fellow's clinic.

Dr. Margolis received his MD from Duke University School of Medicine in June 2002, concurrent with a Master of Public Health at the University of North Carolina, Chapel Hill in May 2000 and then completed an Internal Medicine residency at University of Colorado Health Science Center in June 2005 and a fellowship in Infectious Diseases at University of California at San Diego in La Jolla in December 2009, with a research focus on infectious diseases in the immunocompromised host.

Dr. Karen D. NEUENDORFF, aged 48, has been serving as the chief people officer (head of human resources) of our Company since January 27, 2022.

Before joining the Group, Dr. Neuendorff served as the Senior Vice President, Human Resources at WeDriveU from June 2019 to January 2022, a division of the premier transportation firm National Express LLC, where she led HR strategy, recruiting and talent management, and acted as a trusted advisor to senior leaders and operational talent alike. Prior to her time at WeDriveU, Dr. Neuendorff served as Vice President, Global Human Resources at Nexant Inc. for 14 years from October 2005 to June 2019, where she managed operational functions for the organization to create a unified, value-based culture and brand globally. Throughout her career, she has converted business vision into HR initiatives that improved performance, profitability, growth and employee engagement on a global scale.

Dr. Neuendorff holds a Bachelor of Arts degree in Psychology from the University of San Francisco in May 1997. She is also certified by the Human Resource Certification Institute as a Senior Professional in Human Resources (SPHR, SHRM-SCP) from June 2010 and July 2015, a Global Professional in Human Resources (GPHR) from June 2012, and a California Professional in Human Resources (PHR-CA) from May 2011.

The Board is pleased to present the report of directors together with the audited consolidated financial statements of the Group for the Reporting Period.

PRINCIPAL ACTIVITIES

We are a biotech company primarily engaged in pharmaceutical R&D activity. The principal activities of the Group are research and develop advancing therapies for significant infectious diseases and CNS diseases, with primary operations based in China and the United States.

An analysis of the principal activities of the Group during the Reporting Period is set out in note 5 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended December 31, 2023 are set out in the consolidated statement of profit or loss and other comprehensive income of this annual report.

FINAL DIVIDENDS

The Board did not recommend the payment of a final dividend for the year ended December 31, 2023 (2022: nil).

ANNUAL GENERAL MEETING

The AGM will be held on Tuesday, June 25, 2024. The notice of the AGM will be despatched, if necessary, to the Shareholders and will be published on the respective websites of the Stock Exchange and the Company in due course.

BUSINESS REVIEW

A review of the business of the Group during the Reporting Period as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) is provided in the "Management Discussion and Analysis" of this annual report. An analysis of the Group's performance during the Reporting Period using key financial performance indicators is provided in the Financial Review on pages 15 to 20 of this annual report. The results of the Group for the Reporting Period are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on pages 83 to 84 in this annual report.

Risks and Uncertainties Relating to the Group's Business

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

- The Group depends substantially on the success of our drug candidates, all of which are currently in pre–clinical or clinical development. The Group may be unable to successfully complete development, obtain regulatory approval and commercialize the drug candidates of the Group, or experience significant delays.
- The Group faces substantial competition, which may result in others discovering, developing or commercializing competing drugs before or more successfully than the Group does.
- The Group had incurred significant net losses in each period since the inception, expect to incur net losses for the foreseeable future and may never achieve or maintain profitability.
- The Group will need to obtain additional financing to fund our operations and, if financing is not available on terms acceptable to the Group or at all, the Group may be unable to complete the development and commercialization of the Group's primary drug candidates.
- The Group may be unable to establish, protect or enforce intellectual property rights of the Group adequately.

However, the above is not an exhaustive list. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in the Shares.

Environmental Policies and Performance

The Company is committed to operating its business in compliance with applicable environmental protection laws and regulations and has implemented relevant environmental protection measures in compliance with the required standards under applicable PRC laws and regulations.

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

Compliance with Laws and Regulations

During the Reporting Period, as far as the Board is aware, the Group has complied with the relevant laws and regulations that have a significant impact on the Group in all material respects.

FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last five financial years are set out in the section headed "Financial Summary" of this annual report. This summary does not form part of the audited consolidated financial statements of the Group for the year ended December 31, 2023.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

On July 13, 2021, the Company was successfully listed on the Stock Exchange. The net proceeds received by the Group from the Global Offering (including the partial exercise of the over-allotment option) amounted to approximately HK$2.614 billion (after deducting underwriting fee and relevant expenses).

Details of the planned applications of the net proceeds from the Global Offering were disclosed in the Prospectus and subsequently revised and disclosed in the annual results announcement of the Company dated March 24, 2023. The table below sets out the planned applications of the net proceeds and the actual usage up to December 31, 2023:

Use of proceeds	Percentage of total net proceeds	Allocation of net proceeds (HK$ million)	Unutilized amount as at December 31, 2022 (HK$ million)	Utilized amount during the Reporting Period (HK$ million)	Utilized amount up to December 31, 2023 (HK$ million)	Unutilized amount as at December 31, 2023 (HK$ million)
Used for our HBV functional cure programs	38%	994.1	686.8	192.0	499.3	494.8
To fund ongoing and planned clinical trials and preparation for regulatory filings for developing combination regimens containing BRII-179, BRII-835 or BRII-877	32%	837.3	530.0	192.0	499.3	338.0
Used for regulatory milestone payments for BRII-179	1%	26.1	26.1	–	–	26.1
Used for the launch and commercialization of HBV curative treatment regimens	5%	130.7	130.7	–	–	130.7
Used for our HIV programs, funding the ongoing and planned non-clinical studies, clinical trials and preparation for registration filings for BRII-732 and BRII-753	7%	176.0	70.7	41.1	146.4	29.6
Used for our MDR/XDR gram-negative infections programs	11%	294.0	259.9	18.8	52.9	241.1
To fund the ongoing and planned clinical trials and preparation for registration filings for BRII-636, BRII-672 and BRII-693	9%	234.5	208.9	18.8	44.4	190.1
Used for regulatory milestone payments for BRII-636, BRII-672 and BRII-693	2%	59.5	51.0	–	8.5	51.0
Used for our CNS programs, funding the ongoing and planned non-clinical studies, clinical trials and preparation for registration filings for BRII-296, BRII-297 and other pre-clinical/clinical candidates	19%	496.3	380.3	120.5	236.5	259.8
Used for discovery and business development activities for pipeline expansion	15%	392.0	334.8	16.8	74.0	318.0
Used for working capital and general corporate purposes	10%	261.4	57.2	57.2	261.4	–
Total	**100%**	**2,613.8**	**1,789.7**	**446.4**	**1,270.5**	**1,343.3**

For the Company's planned usage of the proceeds as described above, the Company expects that the net proceeds will be used up by the end of 2026.

The unutilized net proceeds will be applied in a manner consistent with the above planned applications and remains subject to change based on the current and future development of market conditions and our actual business needs.

MAJOR CUSTOMERS AND SUPPLIERS

The Group recognizes the importance of maintaining a good relationship with its stakeholders (including Shareholders, employees, suppliers and other business partners), which is one of the keys to the Group success. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders. For the Company's principal relationships with its key stakeholders, please refer to the ESG report of the Company for the year ended December 31, 2023 separately published by the Company.

Major customers

For the year ended December 31, 2023, the Group's five largest customers and the Group's largest customer accounted for approximately 100.0% (2022: 94.0%) and 63.0% (2022: 68.5%), respectively, of the Group's total revenue.

Major suppliers

For the year ended December 31, 2023, the Group's five largest suppliers accounted for 47.0% (2022: 58.2%) of the Group's total purchases and our single largest supplier accounted for 22.0% (2022: 14.3%) of the Group's total purchases.

During the Reporting Period, none of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the number of issued Shares of the Company) had any interest in the Group's five largest suppliers or customers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the Reporting Period are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital and share options of the Company during the Reporting Period are set out in notes 25 and 26 to the consolidated financial statements, respectively.

DEBENTURES

The Company did not issue any debentures since its incorporation.

RESERVES

Details of movements in the reserves of the Company and the Group during the Reporting Period are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

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

BANK LOANS AND OTHER BORROWINGS

As of December 31, 2023, the Group did not have any unutilized bank facilities, material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, hire purchase commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured.

DIRECTORS

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

Executive Directors

Dr. Zhi Hong *(Chairman and Chief Executive Officer)*

Dr. Ankang Li

Non-executive Director

Mr. Robert Taylor Nelsen

Independent non-executive Directors

Dr. Martin J Murphy Jr

Ms. Grace Hui Tang

Mr. Yiu Wa Alec Tsui

Mr. Gregg Huber Alton

Dr. Taiyin Yang

In accordance with article 16.19 of the Articles of Association, Dr. Zhi Hong, Ms. Grace Hui Tang and Dr. Martin J Murphy Jr shall retire by rotation and, being eligible, have offered themselves for re-election as Directors at the AGM.

DIRECTORS AND SENIOR MANAGEMENT

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

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received a written annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers them to be independent during the Reporting Period.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing from the appointment effective date. Either party has the right to give not less than 30 days' written notice to terminate the agreement.

Each of the non-executive Director and the independent non-executive Directors has entered into an appointment letter with the Company. The initial term for their appointment letters shall commence from the appointment effective date and shall continue for three years, which may be terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than 30 days' prior notice in writing.

None of the Directors has a service contract or an appointment letter which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No Director or an entity connected with a Director had a material interest, either 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 or fellow subsidiaries was a party subsisting during or at the end of the Reporting Period.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACT OF SIGNIFICANCE

The Company has no controlling shareholders (as defined in the Listing Rules) during the Reporting Period.

EMOLUMENT POLICY

The Remuneration Committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual qualifications, industry experience, position and performance of the Directors and senior management and comparable market practices.

The Group also has adopted several share incentive schemes for the purpose of providing incentives and rewards to its employees, including Directors. Please refer to the paragraph headed "Share Schemes" in this annual report for further details.

As of December 31, 2023, the Group had an aggregate of 128 full-time employees (2022: 146).

Details of the emoluments of the Directors and the five highest paid individuals during the Reporting Period are set out in note 12 to the consolidated financial statements.

No Directors have waived or agreed to waive any emoluments during the Reporting Period.

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Details of the retirement and employee benefits scheme of the Company are set out in note 30 to the consolidated financial statements.

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

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

Name of Director/Chief executive	Capacity/Nature of Interest	Number of Shares/ underlying Shares	Approximate Percentage of Shareholding in the Company[1]	Long position/Short position/Lending pool
Robert Taylor Nelson[2]	Interest in controlled corporation	90,410,418	12.40%	Long position
Zhi Hong[3]	Beneficial owner	22,107,739	3.03%	Long position
	Trustee	16,400,000	2.25%	
	Founder of discretionary trust	16,000,000	2.19%	
Ankang Li[4]	Beneficial owner	8,086,333	1.11%	Long position
Martin J Murphy Jr[5]	Beneficial owner	87,000	0.01%	Long position
Grace Hui Tang[6]	Beneficial owner	87,000	0.01%	Long position
Yiu Wa Alec Tsui[7]	Beneficial owner	87,000	0.01%	Long position
Gregg Huber Alton[8]	Beneficial owner	87,000	0.01%	Long position
Taiyin Yang[9]	Beneficial owner	327,000	0.04%	Long position

Notes:

1. The calculation is based on the total number of 729,385,446 Shares in issue as at December 31, 2023.

2. ARCH Venture Fund IX, L.P. directly held 45,205,210 Shares. The general partner of ARCH Venture Fund IX, L.P. is ARCH Venture Partners IX, L.P., the general partner of which is ARCH Venture Partners IX, LLC. ARCH Venture Partners IX, LLC is owned by several individuals, but its voting power is controlled as to one-third by each of Mr. Robert Taylor Nelsen (our non-executive Director), Mr. Clinton Bybee and Mr. Keith Crandell. In addition, ARCH Venture Fund IX Overage, L.P. directly held 45,205,208 Shares. The general partner of ARCH Venture Fund IX Overage, L.P. is ARCH Venture Partners IX Overage, L.P., the general partner of which is ARCH Venture Partners IX, LLC. For the purpose of the SFO, Mr. Robert Taylor Nelsen is deemed to be interested in the Shares held by ARCH Venture Fund IX, L.P. and ARCH Venture Fund IX Overage, L.P. in aggregate.

3. Dr. Zhi Hong is interested or deemed to be interested in an aggregate of 54,507,739 Shares, including (i) 124,906 Shares directly held by him; (ii) his entitlements to receive up to 12,000,000 Shares pursuant to the exercise of options granted to him under the Pre-IPO Share Incentive Plan, subject to the vesting conditions; (iii) his entitlements to receive up to 8,787,333 Shares pursuant to the exercise of options granted to him under the Post-IPO Share Option Scheme, subject to the vesting conditions; (iv) 1,195,500 Shares underlying the RSUs granted to him under the Post-IPO Share Award Scheme, subject to the vesting conditions; (v) 16,400,000 Shares held by the Jingfan Huang 2020 Revocable Trust and the Zhi Hong 2020 Revocable Trust, of which he is the trustee; and (vi) 16,000,000 Shares held by the Hong Family 2020 Irrevocable Trust, of which he is the grantor.

4. Dr. Ankang Li is interested in an aggregate of 8,086,333 Shares, including (i) 1,225,707 Shares directly held by him; (ii) his entitlements to receive up to 3,066,668 Shares pursuant to the exercise of options granted to him under the Pre-IPO Share Incentive Plan, subject to the vesting conditions; (iii) his entitlements to receive up to 2,590,833 Shares pursuant to the exercise of options granted to him under the Post-IPO Share Option Scheme, subject to the vesting conditions; and (iv) 1,203,125 Shares underlying the RSUs granted to him under the Post-IPO Share Award Scheme, subject to the vesting conditions.

5. Dr. Martin J Murphy Jr is interested in an aggregate of 87,000 Shares, including (i) 73,000 Shares directly held by him; and (ii) 14,000 Shares underlying the RSUs granted to him under the Post-IPO Share Award Scheme, subject to the vesting conditions.

6. Ms. Grace Hui Tang is interested in an aggregate of 87,000 Shares, including (i) 73,000 Shares directly held by her; and (ii) 14,000 Shares underlying the RSUs granted to her under the Post-IPO Share Award Scheme, subject to the vesting conditions.

7. Mr. Yiu Wa Alec Tsui is interested in an aggregate of 87,000 Shares, including (i) 73,000 Shares directly held by him; and (ii) 14,000 Shares underlying the RSUs granted to him under the Post-IPO Share Award Scheme, subject to the vesting conditions.

8. Mr. Gregg Huber Alton is interested in an aggregate of 87,000 Shares, including (i) 73,000 Shares directly held by him; and (ii) 14,000 Shares underlying the RSUs granted to him under the Post-IPO Share Award Scheme, subject to the vesting conditions.

9. Dr. Taiyin Yang is interested in an aggregate of 327,000 Shares, including (i) 109,000 Shares directly held by her; and (ii) 218,000 Shares underlying the RSUs granted to her under the Post-IPO Share Award Scheme, subject to the vesting conditions.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at December 31, 2023, so far as the Directors are aware, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding in the Company[1]	Long position/Short position/Lending pool
ARCH Venture Fund IX, L.P.[2]	Beneficial interest	45,205,210	6.20%	Long position
ARCH Venture Fund IX Overage, L.P.[2]	Beneficial interest	45,205,208	6.20%	Long position
ARCH Venture Partners IX, L.P.[2]	Interest of controlled corporation	45,205,210	6.20%	Long position
ARCH Venture Partners IX Overage, L.P.[2]	Interest of controlled corporation	45,205,208	6.20%	Long position
ARCH Venture Partners IX, LLC[2]	Interest of controlled corporation	90,410,418	12.40%	Long position
Clinton Bybee[2]	Interest of controlled corporation	90,410,418	12.40%	Long position
Keith Crandell[2]	Interest of controlled corporation	90,410,418	12.40%	Long position
Booming Passion Limited[3]	Beneficial interest	72,019,612	9.87%	Long position
Boyu Capital Fund III, L.P.[3]	Interest of controlled corporation	72,019,612	9.87%	Long position
Boyu Capital General Partner III, L.P.[3]	Interest of controlled corporation	72,019,612	9.87%	Long position
Boyu Capital General Partner III, Ltd.[3]	Interest of controlled corporation	72,019,612	9.87%	Long position
Boyu Capital Group Holdings Ltd.[3]	Interest of controlled corporation	72,019,612	9.87%	Long position
Boyu Group, LLC[3]	Interest of controlled corporation	72,019,612	9.87%	Long position
XYXY Holdings Ltd.[3]	Interest of controlled corporation	72,019,612	9.87%	Long position
Xiaomeng Tong[3]	Interest of controlled corporation	72,019,612	9.87%	Long position

1. The calculation is based on the total number of 729,385,446 Shares in issue as at December 31, 2023.

2. ARCH Venture Fund IX, L.P. directly held 45,205,210 Shares. The general partner of ARCH Venture Fund IX, L.P. is ARCH Venture Partners IX, L.P., the general partner of which is ARCH Venture Partners IX, LLC. ARCH Venture Partners IX, LLC is owned by several individuals, but its voting power is controlled as to one-third by each of Mr. Robert Taylor Nelsen (our non-executive Director), Mr. Clinton Bybee and Mr. Keith Crandell. In addition, ARCH Venture Fund IX Overage, L.P. directly held 45,205,208 Shares. The general partner of ARCH Venture Fund IX Overage, L.P. is ARCH Venture Partners IX Overage, L.P., the general partner of which is ARCH Venture Partners IX, LLC.

   For the purpose of the SFO, each of ARCH Venture Partners IX, LLC, Mr. Robert Taylor Nelsen (as set out above), Mr. Clinton Bybee and Mr. Keith Crandell is deemed to be interested in the Shares held by ARCH Venture Fund IX, L.P. and ARCH Venture Fund IX Overage, L.P. in aggregate.

3. Booming Passion Limited directly held 72,019,612 Shares. Booming Passion Limited is wholly owned by Boyu Capital Fund III, L.P., the general partner of which is Boyu Capital General Partner III, L.P. The general partner of Boyu Capital General Partner III, L.P. is Boyu Capital General Partner III, Ltd., which is wholly owned by Boyu Capital Group Holdings Ltd. Boyu Capital Group Holdings Ltd. is wholly owned by Boyu Group, LLC, which is controlled by XYXY Holdings Ltd. Mr. Xiaomeng Tong holds 100% of the outstanding shares of XYXY Holdings Ltd.

   For the purpose of the SFO, each of Boyu Capital Fund III, L.P., Boyu Capital General Partner III, L.P., Boyu Capital General Partner III, Ltd., Boyu Capital Group Holdings Ltd., Boyu Group, LLC, XYXY Holdings Ltd. and Mr. Xiaomeng is deemed to be interested in the Shares held by Booming Passion Limited.

Save as disclosed above, as at December 31, 2023, the Directors are not aware of any other persons (other than the Directors or chief executive of the Company) who had any interests or short positions in the Shares or underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE SCHEMES

Pre-IPO Share Incentive Plan

The Pre-IPO Share Incentive Plan was approved and adopted by the Shareholders on October 30, 2018 and subsequently amended on August 27, 2020 and February 26, 2021. The Pre-IPO Share Incentive Plan shall be valid and effective for a period of 10 years from the date of adoption of the plan on October 30, 2018. For details of the principal terms of the Pre-IPO Share Incentive Plan, please refer to Appendix IV to the Prospectus.

Purpose

The purpose of the Pre-IPO Share Incentive Plan is to promote the success of the Company and the interests of its shareholders by providing a means through which the Company may grant equity-based incentives to attract, motivate, retain and reward certain officers, employees, directors and other eligible persons and to further link the interests of award recipients with those of the Company's shareholders generally. Further details of the Pre-IPO Share Incentive Plan are set out in the Prospectus and note 26 to the consolidated financial statements.

Eligible Participants

Those eligible to participate in the Pre-IPO Share Incentive Plan include officers, directors, employees, advisers or consultants of the Company or any of its affiliates as determined, authorized and approved by the Board or one or more committees appointed by the Board (the "**Administrator**").

Maximum Number of Shares Available for Issue

The overall limit on the number of underlying Shares which may be delivered pursuant to awards granted under the Pre-IPO Share Incentive Plan is 35,816,502 Shares, representing approximately 4.9% of the total issued share capital of the Company as at December 31, 2023. The total number of Shares available for issue under the Pre-IPO Share Incentive Plan was 19,649,375 Shares, representing approximately 2.7% of the issued Shares as at the date of this annual report.

Under the Pre-IPO Share Incentive Plan, there is no specific limit on the maximum number of Shares which may be granted to a single eligible participant, except that no option may be granted to any person who, at the time the option is granted, owns outstanding shares of the Company (or any of its affiliates) possessing more than 10% of the total combined voting power of all classes of shares of the Company (or any of its affiliates).

Consideration

Nil consideration is required to be paid by the grantees for the grant of awards under the Pre-IPO Share Incentive Plan. There is no specific exercise period of the options granted under the Pre-IPO Share Incentive Plan, which shall be exercisable when they become vested, but each option shall expire not more than 10 years after the date of grant. The Pre-IPO Share Incentive Plan does not require a minimum period for which an award must be held or a performance target which must be achieved before an award can be vested. The Administrator will determine the vesting and/or exercisability provisions of each award (which may be based on performance criteria, passage of time or other factors or any combination thereof), which will be set forth in the applicable award agreement.

Unless the Administrator otherwise expressly provides, once exercisable an award will remain exercisable until the expiration or earlier termination of the award.

Determination of Exercise Price

The exercise price of an option may be a fixed price based on the par value of an ordinary share of the Company or variable price related to the fair market value of an ordinary share of the Company. The exercise price of all the options and share awards granted under the Pre-IPO Share Incentive Plan is between US$0.035 and US$1.33.

Life of the Pre-IPO Share Incentive Plan

The Pre-IPO Share Incentive Plan commenced on October 30, 2018 (the "**Effective Date**") and will terminate at the close of business on the day before the 10th anniversary of the Effective Date. After the termination of the Pre-IPO Share Incentive Plan either upon such stated expiration date or its earlier termination by the Board, no additional awards may be granted under the Pre-IPO Share Incentive Plan, but previously granted awards (and the authority of the Administrator with respect thereto, including the authority to amend such awards) shall remain outstanding in accordance with their applicable terms and conditions and the terms and conditions of the Pre-IPO Share Incentive Plan. The remaining life of the Pre-IPO Share Incentive Plan is approximately 4.8 years.

Outstanding Share Options

The table below shows details of the outstanding share options granted to all grantees under the Pre-IPO Share Incentive Plan as of December 31, 2023. No options were granted since the Listing Date and up to December 31, 2023. For further details on the movement of the options during the Reporting Period, please see note 26 to the consolidated financial statements.

In connection with the listing of the Shares on the Stock Exchange on the Listing Date, the Board has approved that upon listing, the Company will not grant any additional share options or share awards under the Pre-IPO Share Incentive Plan, so the total number of share options or share awards available for grant under the scheme mandate of the Pre-IPO Share Incentive Plan as at January 1, 2023 and December 31, 2023 is nil and nil, respectively. As at December 31, 2023, pursuant to the Pre-IPO Share Incentive Plan, the Company had granted to directors, employees and consultants of the Group outstanding options to subscribe for 20,052,868 Shares, representing approximately 2.7% of the total issued share capital of the Company as at December 31, 2023. There are no participants with options granted in excess of the 1% individual limit for the purpose of Rule 17.03D of the Listing Rules, no service providers (as defined in Chapter 17 of the Listing Rules) with options granted in any 12-month period exceeding 0.1% of the Shares in issue for the time being, and no grants to related entity participant (as defined in Chapter 17 of the Listing Rules).

Details of the movements of the options granted under the Pre-IPO Share Incentive Plan during the Reporting Period are as follows:

Name or category of grantee	Exercise price	Date of grant	Vesting commencement date	Number of options Outstanding as at January 1, 2023	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at December 31, 2023	Notes
1. Directors										
Dr. Zhi Hong	US$0.68	September 18, 2020	October 31, 2020	5,000,000	-	-	-	-	5,000,000	1
Chairman, chief executive officer and executive Director										
	US$0.68	September 18, 2020	October 31, 2020	3,000,000	-	-	-	-	3,000,000	2
	US$0.68	September 18, 2020	September 18, 2020	4,000,000	-	-	-	-	4,000,000	3
Dr. Ankang Li	US$0.13	September 18, 2020	August 31, 2021	1,866,668	-	-	-	-	1,866,668	4
Executive Director	US$.0.13	September 18, 2020	July 13, 2022	1,200,000	-	-	-	-	1,200,000	5
2. Other employee participants										
Other employees (in aggregate)	From US$0.035 to US$1.33	From October 30, 2018 to June 4, 2021	From July 1, 2018 to June 7, 2022	5,457,180	-	(317,949)[7]	-	(728,646)	4,410,585	1, 4, 5, 6
3. Service providers										
Service providers (in aggregate)	From US$0.035 to US$1.33	From October 30, 2018 to May 14, 2021	From July 1, 2018 to May 14, 2022	589,615	-	(14,000)[8]	-	-	575,615	1, 6
Total:									20,052,868	

Notes:

1. In accordance with a vesting schedule, the options granted on the relevant date of grant will be vested in 24 substantially equal monthly installments with the first installment vesting on the vesting commencement date occurs. The options shall be exercisable upon vesting and the exercise period commences on the date when they are vested and ends on the expiry of 10 years from the date of grant.

2. In accordance with a vesting schedule, the options granted on the date of grant will be vested in 48 substantially equal monthly installments with the first installment vesting on the vesting commencement date occurs. The options shall be exercisable upon vesting and the exercise period commences on the date when they are vested and ends on the expiry of 10 years from the date of grant.

3. In accordance with a vesting schedule, the first 1,333,334 options granted on the date of grant will be vested upon the achievements by the Group of one of the four milestones as specified in the relevant award agreement, the second 1,333,334 options granted on the date of grant will be vested upon the achievements by the Group of one of the remaining three milestones, and the remaining 1,333,332 options granted on the date of grant will be vested upon the achievements by the Group of one of the remaining two milestones, in each case the satisfaction of any milestones will be determined by the Board in its sole discretion. The options shall be exercisable upon vesting and the exercise period commences on the date when they are vested and ends on the expiry of 10 years from the date of grant.

4. In accordance with a vesting schedule, 25% of the options granted on the relevant date of grant will be vested on the vesting commencement date, and the remaining 75% of the options granted on the relevant date of grant will be vested in 36 substantially equal monthly installments with the first installment vesting on the last day of the month following the month in which the vesting commencement date occurs. The options shall be exercisable upon vesting and the exercise period commences on the date when they are vested and ends on the expiry of 10 years from the date of grant.

5. In accordance with a vesting schedule and subject to the satisfaction of certain IPO vesting conditions as specified in the relevant award agreement, 25% of the options granted on the relevant date of grant will be vested on the first anniversary of the completion of the IPO, and 75% of the options granted on the relevant date of grant will be vested in a series of 36 successive equal monthly installments for each monthly period of the relevant grantee's continuous full-time employment with the Company thereafter. The options shall be exercisable upon vesting and the exercise period commences on the date when they are vested and ends on the expiry of 10 years from the date of grant.

6. In accordance with a vesting schedule, 100% of the options granted on the relevant date of grant will be vested on the vesting commencement date. The options shall be exercisable upon vesting and the exercise period commences on the date when they are vested and ends on the expiry of 10 years from the date of grant.

7. The weighted average closing price of the Shares immediately before the dates on which the options were exercised during the Reporting Period was HK$3.69.

8. The weighted average closing price of the Shares immediately before the dates on which the options were exercised during the Reporting Period was HK$11.72.

9. Closing price of the Shares is not applicable as the Shares of the Company were not listed at the date of grant.

Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme was approved by the Shareholders on June 22, 2021. The Post-IPO Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Listing Date, subject to early termination in accordance with the terms of the Post-IPO Share Option Scheme. For details of the principal terms of the Post-IPO Share Option Scheme, please refer to Appendix IV to the Prospectus. In view of the amendments to the Listing Rules relating to share schemes which took effect on January 1, 2023 (the "**Share Scheme Amendments**"), the termination of the Post-IPO Share Option Scheme and the adoption of the 2023 Share Option Scheme as proposed by the Company were approved by the Shareholders on September 1, 2023 at the EGM. Following the termination of the Post-IPO Share Option Scheme, no further options will be offered or granted under the Post-IPO Share Option Scheme, but the provisions of the the Post-IPO Share Option Scheme shall remain in full force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior thereto or otherwise as may be required in accordance with the provisions of the Post-IPO Share Option Scheme.

Purpose

The purpose of the Post-IPO Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. Further details of Post-IPO Share Option Scheme are set out in the Prospectus and note 26 to the consolidated financial statements.

Eligible Participants

Any directors (including executive directors, non-executive directors and independent non-executive directors), employees, advisors, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners or service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group.

Maximum Number of Shares Available for Issue

The total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option scheme(s) of the Group shall not in aggregate exceed 10% of the Shares in issue on the Listing Date, such 10% limit represents 70,620,092 Shares, representing approximately 9.7% of the total issued share capital of the Company as at December 31, 2023. The total number of Shares available for issue under the Post-IPO Share Option Scheme (including the options granted but not yet exercised) was 35,455,108 Shares, representing approximately 4.9% of the issued Shares as at the date of this annual report.

Maximum Entitlement of Each Participant

Unless approved by Shareholders in a general meeting, the total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Post-IPO Share Option Scheme and any other share option scheme of the Company (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the Shares in issue for the time being.

Exercise of Option

An option may be exercised in accordance with the terms of the Post-IPO Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination under the Post-IPO Share Option Scheme. Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Post-IPO Share Option Scheme for the holding of an option before it can be exercised, and a grantee is not required to achieve any performance targets before any options granted under the Post-IPO Share Option Scheme can be exercised.

Exercise Price

Pursuant to the Post-IPO Share Option Scheme, the participants may subscribe for the Shares on the exercise of an option granted under the Post-IPO Share Option Scheme at a price determined by the Board provided that it shall not be less than the highest of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of grant; and (c) the nominal value of a Share on the date of grant.

Consideration

A nominal consideration of HK$1.00 must be paid upon acceptance of the grant of an option, and such payment must be made within 5 business days from the date the share option grant offer is made to the grantee.

As at December 31, 2023, pursuant to the Post-IPO Share Option Scheme, the Company had granted to directors and employees of the Group outstanding options to subscribe for 42,940,358 Shares, representing approximately 5.9% of the total issued share capital of the Company as at December 31, 2023. There are no participants with options granted and to be granted in excess of the 1% individual limit for the purpose of Rule 17.03D of the Listing Rules and no grants to related entity participant (as defined in Chapter 17 of the Listing Rules) or service provider (as defined in Chapter 17 of the Listing Rules). Following the termination of the Post-IPO Share Option Scheme, no further options will be offered or granted under the Post-IPO Share Option Scheme. The total number of options available for grant under the scheme mandate of the Post-IPO Share Option Scheme as at January 1, 2023 and December 31, 2023 is 29,877,092 and nil, respectively.

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

			Number of options							
Name or category of grantee	Date of grant	Exercise price	Outstanding as at January 1, 2023	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at December 31, 2023	Closing price of the Shares immediately before the date of grant	Notes
1. Directors										
Dr. Zhi Hong *Chairman, chief executive officer and executive Director*	September 17, 2021	HK$47.6	4,152,500	-	-	(1,296,667)	-	2,855,833	HK$48.5	2,3,4,6
	September 21, 2022	HK$6.45	2,562,000	-	-	-	-	2,562,000	HK$5.91	3,5
	August 23, 2023	HK$3.01	-	3,369,500	-	-	-	3,369,500	HK$2.77	3
Dr. Ankang Li *Executive Director*	September 17, 2021	HK$47.6	1,413,000	-	-	(432,167)	-	980,833	HK$48.5	2,3,4,6
	September 21, 2022	HK$6.45	1,065,000	-	-	-	-	1,065,000	HK$5.91	3,5
	August 23, 2023	HK$3.01	-	545,000	-	-	-	545,000	HK$2.77	3
2. Other employee participants										
Other employees (in aggregate)	September 17, 2021	HK$47.6	4,346,000	-	-	(1,238,417)	(1,502,808.00)	1,604,775	HK$48.5	2,3,4,6
	December 3, 2021	HK$43.41	751,000	-	-	(202,000)	(48,500)	500,500	HK$40.8	3,7
	March 29, 2022	HK$10.33	5,247,500	-	-	(90,833)	(1,325,750)	3,830,917	HK$9.15	3,4,5,8
	June 24, 2022	HK$9.16	2,292,500	-	-	-	(319,500)	1,973,000	HK$8.57	3
	September 21, 2022	HK$6.45	16,588,500	-	-	-	(3,788,000)	12,800,500	HK$5.91	3.5
	December 15, 2022	HK$8.64	1,497,000	-	-	-	(178,000)	1,319,000	HK$8.33	3
	April 12, 2023	HK$4.54	-	3,281,000	-	-	(831,000)	2,450,000	HK$4.48	3
	June 30, 2023	HK$3.35	-	1,822,000	-	-	(497,000)	1,325,000	HK$3.13	3
	August 23, 2023	HK$3.01	-	6,238,000	-	-	(479,500)	5,758,500	HK$2.77	3
Total:								42,940,358		

Notes:

1. The options granted shall be exercisable upon vesting in accordance with the relevant vesting schedule and the exercise period of the options granted commences on the date on which they are vested in accordance with the relevant vesting schedule and ends on the expiry of 10 years from the relevant date of grant.

2. For the options granted on the date of grant, the options shall be vested over three years from the employment commencement date of each grantee or the date of grant subject to the fulfilment of certain performance targets relating to the Company determined by the Board which are specified in the relevant grant letter of the grantees.

3. For the options granted on the date of grant, the options shall be vested in four tranches as follows: 25% shall vest on the first anniversary of the Vesting Start Date of each grantee; 25% shall vest on the second anniversary of the Vesting Start Date of each grantee; 25% shall vest on the third anniversary of the Vesting Start Date of each grantee; and 25% shall vest on the fourth anniversary of the Vesting Start Date of each grantee, where the "Vesting Start Date" refers to the employment commencement date of each grantee, or the promotion date of each grantee, or the date of grant.

4. For the options granted on the date of grant, the options shall be vested in four tranches as follows: 5% shall vest on the first anniversary of the date of grant; 10% shall vest on the second anniversary of the date of grant; 40% shall vest on the third anniversary of the date of grant; and 45% shall vest on the fourth anniversary of the date of grant.

5. For the options granted on the date of grant, the options shall be vested over three years from the employment commencement date of each grantee upon the achievements by the Group of certain program milestones and/or market capitalization milestones determined by the Board which are specified in the relevant grant letter of the grantees.

6. The exercise price of the cancelled options is HK$47.6.

7. The exercise price of the cancelled options is HK$43.41.

8. The exercise price of the cancelled options is HK$10.33.

9. Details of the fair value of the options granted during the Reporting Period under the Post-IPO Share Option Scheme at the date of grant and the accounting standard and policy adopted are set out in note 26 to the consolidated financial statements.

Post-IPO Share Award Scheme

The Post-IPO Share Award Scheme was approved by the Shareholders on June 22, 2021. The Post-IPO Share Award Scheme shall be valid and effective for a period of 10 years commencing on the Listing Date, subject to early termination in accordance with the terms of the Post-IPO Share Award Scheme. For details of the principal terms of the Post-IPO Share Award Scheme, please refer to Appendix IV to the Prospectus. In view of the Share Scheme Amendments, the termination of the Post-IPO Share Award Scheme and the adoption of the 2023 Share Award Scheme as proposed by the Company were approved by the Shareholders on September 1, 2023 at the EGM. Following the termination of the Post-IPO Share Award Scheme, no further share awards will be offered or granted under the Post-IPO Share Award Scheme, but the provisions of the Post-IPO Share Award Scheme shall remain in full force to the extent necessary to give effect to the settlement of any share awards granted prior thereto or otherwise as may be required in accordance with the provisions of the Post-IPO Share Award Scheme.

Purpose

The purpose of the Post-IPO Share Award Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole. Further details of the Post-IPO Share Award Scheme are set out in the Prospectus and note 26 to the consolidated financial statements.

Eligible Participants

Any directors (including executive directors, non-executive directors and independent non-executive directors), employees, advisors, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners or service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group.

Share Awards

A share award may be granted in the form of Restricted Shares or RSU under the Post-IPO Share Award Scheme. Restricted Shares are Shares awarded to the participant under the Post-IPO Share Award Scheme. RSU is a non-voting unit of measurement which is deemed for bookkeeping purposes to be equivalent to one Share, such unit to be used solely for the determination of the payment to eventually be made to the participant upon vesting of the applicable award.

Maximum Number of Shares Available for Issue

Shares which may be issued pursuant to all share awards to be granted under the Post-IPO Share Award Scheme must not in aggregate exceed 5% of the Shares in issue on the Listing Date, such 5% limit represents 35,310,046 Shares, representing approximately 4.8% of the total issued share capital of the Company as at December 31, 2023. The total number of Shares available for issue under the Post-IPO Share Award Scheme (including the share awards granted but unvested) was 8,347,942 Shares, representing approximately 1.1% of the issued Shares as at the date of this annual report.

Maximum Entitlement of each Participant

There is no restriction on the maximum entitlement of each participant under the Post-IPO Share Award Scheme. Under the Post-IPO Share Award Scheme, there is no specific limit on the maximum number of share award which may be granted to a single eligible participant, but the maximum share award entitlement of each participant of the Post-IPO Share Award Scheme shall not exceed the limits as required under the Listing Rules.

Grant of Share Award

On and subject to the terms of the Post-IPO Share Award Scheme, the Board shall be entitled (but shall not be bound) at any time within the life of the Post-IPO Share Award Scheme to make an offer of a share award to participant, as the Board may in its absolute discretion select. The Post-IPO Share Award Scheme does not require a minimum period for which a share award must be held or a performance target which must be achieved before a share award can be vested. Share awards may be granted on such terms and conditions as the Board shall determine. Such terms may include any minimum period(s) for which the grantee must be employed or in service to our Group and/or any minimum performance target(s) that must be achieved, before the share award shall vest in whole or in part, and may include at the discretion of the Board such other terms either on a case by case basis or generally.

Acceptance of Share Award

An offer of the grant of a share award shall be deemed to have been accepted and the share award to which the offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance of the offer duly signed by the grantee with the number of Shares in respect of which the offer is accepted clearly stated therein. No such offer shall be open for acceptance after the expiry of the period of 10 years commencing on the Listing Date or after the Post-IPO Share Award Scheme has been terminated in accordance with the provisions hereof, whichever is the earlier. In addition, acceptance of an award of Restricted Shares under the Post-IPO Share Award Scheme shall be subject to payment of such consideration to the Company as the Board may determine or as required by applicable law. There is no requirement on the purchase price payable in respect of the share award granted under the Post-IPO Share Award Scheme.

As at December 31, 2023, pursuant to the Post-IPO Share Award Scheme, the Company had granted to directors and employees of the Group outstanding RSUs representing 10,973,543 Shares, accounting for approximately 1.5% of the total issued share capital of the Company as at December 31, 2023. There are no participants with share awards granted and to be granted in excess of the 1% individual limit for the purpose of Rule 17.03D of the Listing Rules and no grants to related entity participant (as defined in Chapter 17 of the Listing Rules) or service provider (as defined in Chapter 17 of the Listing Rules). Following the termination of the Post-IPO Share Award Scheme, no further share awards will be offered or granted under the Post-IPO Share Award Scheme. The total number of awards available for grant under the scheme mandate of the Post-IPO Share Award Scheme as at January 1, 2023 and December 31, 2023 is 22,375,046 and nil, respectively.

Details of the movements of the RSUs granted under the Post-IPO Share Award Scheme as at December 31, 2023 are as follows:

			Number of RSUs							
Name or category of grantee	Date of grant	Fair value as at the date of grant	Outstanding as at January 1, 2023	Granted during the Reporting Period	Vested during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at December 31, 2023	Closing price of the Shares immediately before the date of grant	Notes
1. Directors										
Dr. Zhi Hong	January 20, 2022	HK$22.75	865,500	–	(32,213)	(256,287)	–	577,000	HK$22.65	2,6,12,13,21
Chairman, chief executive officer	September 21, 2022	HK$5.64	340,000	–	(60,179)	(24,821)	–	255,000	HK$5.91	4,11,12,13,21
and executive Director	August 23, 2023	HK$2.79	–	363,500	–	–	–	363,500	HK$2.77	4
Dr. Ankang Li	January 20, 2022	HK$22.75	303,750	–	(20,250)	(81,000)	–	202,500	HK$22.65	2,6,12,13,21
Executive Director	September 21, 2022	HK$5.64	1,141,500	–	(285,375)	–	–	856,125	HK$5.91	4,13,21
	August 23, 2023	HK$2.79	–	144,500	–	–	–	144,500	HK$2.77	4,11
Dr. Martin J Murphy Jr	January 20, 2022	HK$22.75	28,000	–	(14,000)	–	–	14,000	HK$22.65	3,11,14,21
Independent non-executive Director	September 21, 2022	HK$5.64	45,000	–	(45,000)	–	–	–	HK$5.91	9,11,13,21
Ms. Grace Hui Tang	January 20, 2022	HK$22.75	28,000	–	(14,000)	–	–	14,000	HK$22.65	3,11,14,21
Independent non-executive Director	September 21, 2022	HK$5.64	45,000	–	(45,000)	–	–	–	HK$5.91	9,11,13,21
Mr. Yiu Wa Alec Tsui	January 20, 2022	HK$22.75	28,000	–	(14,000)	–	–	14,000	HK$22.65	3,11,14,21
Independent non-executive Director	September 21, 2022	HK$5.64	45,000	–	(45,000)	–	–	–	HK$5.91	9,11,13,21
Mr. Gregg Huber Alton	January 20, 2022	HK$22.75	28,000	–	(14,000)	–	–	14,000	HK$22.65	3,11,14,21
Independent non-executive Director	September 21, 2022	HK$5.64	45,000	–	(45,000)	–	–	–	HK$5.91	9,11,13,21
Dr. Taiyin Yang	September 21, 2022	HK$5.64	327,000	–	(109,000)	–	–	218,000	HK$5.91	10,11,15,21
Independent non-executive Director										
2. Other employee participants										
Other employees (in aggregate)	January 20, 2022	HK$22.75	2,325,488	–	(266,831)	(471,056)	(747,075)	840,526	HK$22.65	2,4,5,6,12,16
	March 29, 2022	HK$9.46	1,775,375	–	(255,537)	(89,796)	(388,775)	1,041,267	HK$9.15	4,7,8,12,17
	June 24, 2022	HK$9.16	949,000	–	(182,356)	(41,769)	(120,000)	604,875	HK$8.57	4,12,18
	September 21, 2022	HK$5.64	4,575,500	–	(732,339)	(199,536)	(670,000)	2,973,625	HK$5.91	4,8,12,19
	December 15, 2022	HK$8.06	396,500	–	(75,649)	(11,726)	(47,000)	262,125	HK$8.33	4,12, 20
	April 12, 2023	HK$4.54	–	870,500	–	–	(220,000)	650,500	HK$4.48	4
	June 30, 2023	HK$3.14	–	534,000	–	–	(132,000)	402,000	HK$3.13	4
	August 23, 2023	HK$2.79	–	1,653,500	–	–	(127,500)	1,526,000	HK$2.77	4
Total:								10,973,543		

Notes:

1. All the RSUs were granted to the grantees at nil consideration. Once the RSUs are vested in accordance with the relevant vesting schedule, the underlying Shares will be transferred to the grantees at nil consideration.

2. For the RSUs granted on the date of grant, the RSUs shall be vested in four tranches as follows: 25% shall vest on September 17, 2022; 25% shall vest on September 17, 2023; 25% shall vest on September 17, 2024; and 25% shall vest on September 17, 2025.

3. For the RSUs granted on the date of grant, the RSUs shall be vested in three tranches as follows: one-third of the grant shall vest on July 13, 2022, one-third of the grant shall vest on July 13, 2023 and the remaining one-third of the grant shall vest on July 13, 2024.

4. For the RSUs granted on the date of grant, the RSUs shall be vested in four tranches as follows: 25% shall vest on the first anniversary of the Vesting Start Date of each grantee; 25% shall vest on the second anniversary of the Vesting Start Date of each grantee; 25% shall vest on the third anniversary of the Vesting Start Date of each grantee; and 25% shall vest on the fourth anniversary of the Vesting Start Date of each grantee, where the "Vesting Start Date" refers to the employment commencement date of each grantee, or the promotion date of each grantee, or the date of grant.

5. For the RSUs granted on the date of grant, the RSUs shall be vested in four tranches as follows: 5% shall vest on the first anniversary of September 17, 2021; 10% shall vest on the second anniversary of September 17, 2021; 40% shall vest on the third anniversary of September 17, 2021; and 45% shall vest on the fourth anniversary of September 17, 2021.

6. For the RSUs granted on the date of grant, the RSUs shall be vested upon the achievements by the Group of certain milestones determined by the Board which are specified in the relevant award agreement of the grantees.

7. For the RSUs granted on the date of grant, the RSUs shall be vested in four tranches as follows: 5% shall vest on the first anniversary of the date of grant; 10% shall vest on the second anniversary of the date of grant; 40% shall vest on the third anniversary of the date of grant; and 45% shall vest on the fourth anniversary of the date of grant.

8. For the RSUs granted on the date of grant, the RSUs shall be vested over three years from the employment commencement date of each grantee upon the achievements by the Group of certain program milestones and/or market capitalization milestones determined by the Board which are specified in the relevant award agreement of the grantees.

9. For the RSUs granted on the date of grant, the RSUs shall be vested on the first anniversary of the date of grant.

10. For the RSUs granted on the date of grant, the RSUs shall be vested in three tranches as follows: one-third of the grant shall vest on September 1, 2023, one-third of the grant shall vest on September 1, 2024 and the remaining one-third of the grant shall vest on September 1, 2025.

11. The RSUs granted would be satisfied by way of purchase of existing Shares on the secondary market using the Company's internal resources.

12. During the Reporting Period, the purchase price of the vested RSUs or the cancelled RSUs is nil.

13. The closing price of the Shares immediately before the dates on which the RSUs were vested during the Reporting Period is HK$2.79.

14. The closing price of the Shares immediately before the date on which the RSUs were vested during the Reporting Period is HK$3.39.

15. The closing price of the Shares immediately before the dates on which the RSUs were vested during the Reporting Period is HK$2.85.

16. The weighted average closing price of the Shares immediately before the date on which the RSUs were vested during the Reporting Period is HK$3.08.

17. The weighted average closing price of the Shares immediately before the date on which the RSUs were vested during the Reporting Period is HK$6.60.

18. The weighted average closing price of the Shares immediately before the date on which the RSUs were vested during the Reporting Period is HK$3.96.

19. The weighted average closing price of the Shares immediately before the date on which the RSUs were vested during the Reporting Period is HK$2.96.

20. The weighted average closing price of the Shares immediately before the date on which the RSUs were vested during the Reporting Period is HK$2.68.

21. As the RSUs held by the grantee were vested only once during the Reporting Period according to the respective vesting schedules, the weighted average closing price of the Shares immediately before the date on which the RSUs were vested equals to the closing price of the Shares immediately before the date on which the RSUs were vested.

22. Details of the fair value of the awards granted during the Reporting Period under the Post-IPO Share Award Scheme at the date of grant and the accounting standard and policy adopted are set out in Note 26 to the consolidated financial statements.

23. Any unvested Shares held by the trustee of the Post-IPO Share Award Scheme appointed by the Company, Kastle Limited, will abstain from voting on matters that require Shareholders' approval under the Listing Rules.

2023 Share Option Scheme

The 2023 Share Option Scheme was adopted by the Shareholders at the EGM on September 1, 2023. The 2023 Share Option Scheme shall be valid and effective for a period of 10 years commencing on the adoption of the scheme on September 1, 2023. The remaining life of the 2023 Share Option Scheme is approximately 9.6 years. For details of the principal terms of the 2023 Share Option Scheme, please refer to the circular of the Company dated August 4, 2023.

Purpose

The purpose of the 2023 Share Option Scheme is to attract and retain eligible participants whose contributions are important to the long-term growth and success of the Group, to recognize and reward eligible participants for their past contribution to the Group, to provide eligible participants with the opportunity to acquire proprietary interests in the Company and to encourage eligible participants to further contribute to the Company and work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole.

Eligible Participants

Any director (including executive directors, non-executive directors and independent non-executive directors) and employee of the Company or any of its subsidiaries, and any person who provides 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, who the Board considers, in its sole discretion, have contributed or will contribute to the Group.

Scheme Mandate Limit and Service Provider Sublimit

The scheme mandate limit is the total number of Shares which may be issued in respect of all options and awards involving issue of new Shares that may be granted under the 2023 Share Option Scheme, the 2023 Share Award Scheme and any other share scheme(s) of the Company, and shall not in aggregate exceed 10% of the total number of issued Shares as at the adoption date of the above schemes (i.e. 72,813,078 Shares). The service provider sublimit, being a sublimit under the scheme mandate limit, is the total number of Shares which may be issued in respect of all options and awards involving issue of new Shares that may be granted under the 2023 Share Option Scheme, the 2023 Share Award Scheme and any other share scheme(s) of the Company to the service providers, and shall not in aggregate exceed 1% of the total number of issued Shares as at the adoption date of the above schemes (i.e. 7,281,307 Shares). The total number of Shares available for issue under the 2023 Share Option Scheme (including the options granted but not yet exercised and the options available for future grants) was 71,991,578 Shares, representing approximately 9.9% of the issued Shares as at the date of this annual report.

Maximum Entitlement of Each Participant

Unless approved by the Shareholders, the total number of Shares issued and to be issued in respect of all options and awards granted under the 2023 Share Award Scheme and any other share scheme(s) of the Company to each participant in any 12-month period shall not exceed 1% of the total number of Shares in issue.

Options

Pursuant to the 2023 Share Option Scheme, the Board shall be entitled at any time within the life of the 2023 Share Option Scheme to make an offer of the grant of an option to any eligible participant, as the Board may in its absolute discretion select, to take up an option pursuant to which such participant may subscribe for such number of Shares as the Board may determine at the exercise price and on and subject to such terms and conditions as the Board may determine and impose and inform the grantee accordingly.

The offer shall specify the terms and conditions on which the option is to be granted. Such terms and conditions may include any minimum period(s) for which an option must be held and/or any minimum performance target(s) that must be achieved, before the option can be exercised or vested in whole or in part, may include any clawback mechanism in respect of the options, and may include at the discretion of the Board such other terms either on a case by case basis or generally.

The period within which an option may be exercised is to be determined and notified by the Board to each grantee at the time of making an offer of the grant of an option, which shall not expire later than ten years from the date of grant. Save for the circumstance as described in the 2023 Share Option Scheme, the vesting period in respect of any option granted shall be no less than 12 months from (and including) the date of grant. Subject to the said limitation in relation to vesting period, the 2023 Share Option Scheme does not provide for any minimum period for which an Option must be held before it can be exercised or vested.

Consideration

A nominal consideration of HK$1.00 must be paid upon acceptance of the grant of an option, and such payment must be made within five business days from the date the offer of the grant of an option is made to the grantee.

Exercise Price

Pursuant to the 2023 Share Option Scheme, the exercise price in respect of any option shall be such price determined by the Board in its absolute discretion and notified to the participant in the offer of the grant of an option and shall be no less than the higher of: (a) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant; (b) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of a Share on the date of grant.

Upon exercise of the option and payment of the exercise price by the relevant grantee, the Board shall allot and issue new Shares to the grantee.

As the 2023 Share Option Scheme was adopted on September 1, 2023, the total number of options available for grant under the scheme mandate of the 2023 Share Option Scheme as at January 1, 2023 and December 31, 2023 is nil and 72,813,078, respectively, and the total number of options available for grant under the service provider sublimit of the 2023 Share Option Scheme as at January 1, 2023 and December 31, 2023 is nil and 7,281,307, respectively.

No options were granted, exercised, lapsed or cancelled under the 2023 Share Option Scheme during the Reporting Period.

2023 Share Award Scheme

The 2023 Share Award Scheme was adopted by the Shareholders at the EGM on September 1, 2023. The 2023 Share Award Scheme shall be valid and effective for a period of 10 years commencing on the adoption of the scheme on September 1, 2023. The remaining life of the 2023 Share Award Scheme is approximately 9.6 years. For details of the principal terms of the 2023 Share Award Scheme, please refer to the circular of the Company dated August 4, 2023.

Purpose

The purpose of the 2023 Share Award Scheme is to attract and retain eligible participants whose contributions are important to the long-term growth and success of the Group, to recognize and reward eligible participants for their past contribution to the Group, to provide eligible participants with the opportunity to acquire proprietary interests in the Company and to encourage eligible participants to further contribute to the Company and work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole.

Eligible Participants

Any director (including executive directors, non-executive directors and independent non-executive directors) and employee of the Company or any of its subsidiaries, and any person who provides 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, who the Board considers, in its sole discretion, have contributed or will contribute to the Group.

Scheme Mandate Limit and Service Provider Sublimit

The scheme mandate limit is the total number of Shares which may be issued in respect of all options and awards involving issue of new Shares that may be granted under the 2023 Share Option Scheme, the 2023 Share Award Scheme and any other share scheme(s) of the Company, and shall not in aggregate exceed 10% of the total number of issued Shares as at the adoption date of the above schemes (i.e. 72,813,078 Shares). The service provider sublimit, being a sublimit under the scheme mandate limit, is the total number of Shares which may be issued in respect of all options and awards involving issue of new Shares that may be granted under the 2023 Share Option Scheme, the 2023 Share Award Scheme and any other share scheme(s) of the Company to the service providers, and shall not in aggregate exceed 1% of the total number of issued Shares as at the adoption date of the above schemes (i.e. 7,281,307 Shares). The total number of Shares available for issue under the 2023 Share Award Scheme (including the share awards granted but unvested and the share awards available for future grants) was 67,060,578 Shares, representing approximately 9.2% of the issued Shares as at the date of this annual report.

Maximum Entitlement of Each Participant

Unless approved by the Shareholders, the total number of Shares issued and to be issued in respect of all options and awards granted under the 2023 Share Award Scheme and any other share scheme(s) of the Company to each participant in any 12-month period shall not exceed 1% of the total number of Shares in issue.

Share Awards

A share award may be granted in the form of Restricted Shares or RSUs under the 2023 Share Award Scheme. Restricted Shares are Shares awarded to a participant under the 2023 Share Award Scheme. RSU is a restricted share unit conferring the grantee a conditional right upon vesting of the RSU to obtain, as determined by the Board in its absolute discretion, either a Share or an equivalent value in cash.

Pursuant to the 2023 Share Award Scheme, the Board shall be entitled at any time within the life of the 2023 Share Award Scheme to make an offer of the grant of a share award to any eligible participant, as the Board may in its absolute discretion select, and on and subject to such terms and conditions as the Board may determine and impose and inform the grantee accordingly.

The offer shall specify the terms and conditions on which the share award is to be granted. Such terms and conditions may include any minimum period(s) for which a share award must be held, any minimum period(s) for which the grantee must be employed or in service to the Group and/or any minimum performance target(s) that must be achieved, before the share award shall vest in whole or in part, may include any clawback mechanism in respect of the share award, and may include at the discretion of the Board such other terms either on a case by case basis or generally.

Save for the circumstance as described in the 2023 Share Award Scheme, the vesting period in respect of any share award granted shall be no less than 12 months from (and including) the date of grant. Subject to the said limitation in relation to vesting period, the 2023 Share Award Scheme does not provide for any minimum period for which a share award must be held before it can be vested.

Consideration

Subject to otherwise determined by the Board at its sole discretion or as required by applicable law in respect of the consideration (if any) for the acceptance of any particular share award which shall be stated in the offer documentation, the grantee is not required to pay any grant or purchase price or make any other payment to the Company to accept a share award granted.

Purchase Price

Subject to otherwise determined by the Board at its sole discretion or as required by applicable law in respect of the purchase price (if any) of any particular share award which shall be stated in the offer documentation, the grantee is not required to pay any purchase price to the Company to purchase any RSU underlying a share award granted or may only be required to pay a nominal value to purchase any Restricted Shares.

Subject to the terms of the 2023 Share Award Scheme, the Board may decide at its sole and absolute discretion to (i) direct the trustee of the 2023 Share Award Scheme to transfer the number of Restricted Shares or the Shares underlying the RSUs to the grantee which the trustee has acquired by making purchases of existing Shares and to be held pending the vesting of the relevant share award; (ii) procure the Company to allot and issue the number of Restricted Shares or the Shares underlying the RSUs to the grantee (as new Shares under the scheme mandate limit) as fully paid up Shares directly; and/or (iii) pay, or procure the payment of, an amount equivalent to the market value of the Shares underlying the RSUs to the grantee in cash, for the purpose of satisfying the relevant share awards of the grantee upon vesting.

As the 2023 Share Award Scheme was adopted on September 1, 2023, the total number of awards available for grant under the scheme mandate of the 2023 Share Award Scheme as at January 1, 2023 and December 31, 2023 is nil and 72,813,078, respectively, and the total number of awards available for grant under the service provider sublimit of the 2023 Share Award Scheme as at January 1, 2023 and December 31, 2023 is nil and 7,281,307, respectively.

No share awards were granted, vested, lapsed or cancelled under the 2023 Share Award Scheme during the Reporting Period.

Additional Information

The number of Shares that may be issued in respect of options and awards granted under all share schemes of the Company during the Reporting Period divided by the weighted average number of the Shares in issue for the Reporting Period is 0.3%.

EQUITY-LINKED AGREEMENTS

Save as the share schemes of the Company disclosed above, no equity-linked agreements that will or may result in the Company issuing Shares, or that require the Company to enter into any agreements that will or may result in the Company issuing Shares, were entered into by the Company during the year ended December 31, 2023 or subsisted at the end of the year ended December 31, 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

TAX RELIEF AND EXEMPTION

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

PRE-EMPTIVE RIGHTS

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

Save as disclosed below, none of the Directors of the Company or their respective associates had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group during the Reporting Period.

Mr. Robert Taylor Nelsen, a non-executive Director, currently serves as a director of Vir, a company listed on the NASDAQ stock exchange (stock code: VIR). Vir is a clinical-stage immunology company focused on the development of products to treat and prevent serious infectious diseases, including engaging in research and development activities of HBV, and hence might directly or indirectly compete with the Company in terms of HBV or other drug candidates that it may pursue. As at December 31, 2023, Mr. Robert Taylor Nelsen may be deemed to be interested in (i) approximately 12.4% of the total number of issued Shares and (ii) approximately 10.2% of Vir's outstanding shares, through shares held by entities affiliated with ARCH Venture Partners. For further details in relation to Mr. Robert Taylor Nelsen's interests in Vir, please refer to the section headed "Directors and Senior Management" in the Prospectus.

While Mr. Robert Taylor Nelsen currently holds directorships in five other biopharmaceutical companies listed on the NASDAQ stock exchange or the Stock Exchange, the Directors are of the view that Mr. Robert Taylor Nelsen will be able to devote sufficient time to discharge his duties and responsibilities as a non-executive Director. The Directors do not believe that the directorships currently held by Mr. Robert Taylor Nelsen will result in his having insufficient time to act as our non-executive Director or improperly discharge his fiduciary duties as a Director of the Company. The Board is of the view that Mr. Robert Taylor Nelsen is capable for the role as a non-executive Director of the Company.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details on related party transactions for the year ended December 31, 2023 are set out in note 27 to the consolidated financial statements. Other than connected transactions that are fully exempted under Rule 14A.73 of the Listing Rules, none of the related party transactions as disclosed in note 27 to the consolidated financial statements constitute connected transaction or continuing connected transaction of the Group which has to be disclosed in accordance with Chapter 14A of the Listing Rules. Other than connected transactions that are fully exempted under Rule 14A.73 of the Listing Rules, there was no connected transaction nor continuing connected transaction of the Group which has to be disclosed in accordance with the Chapter 14A of the Listing Rules during the Reporting Period. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

DONATIONS

During the Reporting Period, the Group made no charitable and other donations.

SIGNIFICANT LEGAL PROCEEDINGS

During the Reporting Period, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatening against the Company.

PERMITTED INDEMINTY PROVISION

Under the Articles of Association, every Director or other officers of the Company acting in relation to any of the affairs of the Company shall be entitled to be indemnified against all actions, costs, charges, losses, damages and expenses which he may incur or sustain in or about the execution of his duties in his office. The Company has arranged appropriate insurance cover in respect of legal action against its Directors and officers.

SUBSEQUENT EVENTS

Enter into Several Agreements with VBI

On February 14, 2024 (Hong Kong time), the Group and the VBI Parties agreed to enter into the following transactions: (i) the BRII-179 Acquisition, pursuant to which VBI and VBI Cda agree to sell, and the Company agrees to purchase, all the rights, title and interest, throughout the world in perpetuity, in and to any intellectual property related to BRII-179; (ii) the Technology Transfer, pursuant to which VBI will use commercially reasonable efforts to complete the Essential Activities in relation to the delivery of certain clinical materials of BRII-179 and to the transfer of certain materials and manufacturing responsibility for BRII-179 and PreHevbri™ to the Group; (iii) the VBI-1901 License, pursuant to which the Company agrees to acquire from VBI Cda an exclusive, sublicensable, royalty free, fully paid-up, perpetual, and irrevocable license to VBI-1901 for the development and commercialization in the Asia-Pacific region (excluding Japan), subject to satisfaction of certain conditions; and (iv) the Rehovot Assets Acquisition, pursuant to which SciVac agrees to sell, and the Group agrees to acquire and assume certain assets and liabilities related to the Rehovot Facility, subject to satisfaction of certain conditions, and the Group agrees to grant SciVac the Repurchase Right to repurchase certain assets related to the Rehovot Facility. In addition, as consideration for the BRII-179 Acquisition, the Technology Transfer and the VBI-1901 License, the Group will issue the Promissory Notes which are secured by the Collateral pursuant to the Collateral Agreements.

For details and the capitalized terms used in the above paragraph, please refer to the announcement of the Company dated February 14, 2024.

Grant of Share Options and Restricted Share Units

On March 28, 2024, the Company granted an aggregate of 5,752,500 Options to 55 Option Grantees in accordance with the terms of the 2023 Share Option Scheme, subject to acceptance by the Option Grantees. The Company also granted an aggregate of 821,500 RSUs to 18 RSU Grantees in accordance with the terms of the 2023 Share Award Scheme, subject to acceptance by the RSU Grantees.

For details and the capitalized terms used in the above paragraph, please refer to the announcement of the Company dated March 28, 2024.

AUDIT AND RISK COMMITTEE

The Board has established the Audit and Risk Committee which currently comprises three independent non-executive Directors, namely Ms. Grace Hui Tang, Dr. Taiyin Yang and Mr. Yiu Wa Alec Tsui. Each of Ms. Grace Hui Tang and Dr. Taiyin Yang serves as the co-chairlady of the Audit and Risk Committee, who has the professional qualification and experience in financial matters in compliance with the requirements of the Listing Rules. The primary duties of the Audit and Risk Committee are to review and supervise the Company's financial reporting process and risk management and internal controls.

The Audit and Risk Committee, together with the management and external auditor of the Company, has reviewed the accounting principles and policies adopted by the Company and discussed internal control and financial reporting matters of the Group (including the review of the consolidated financial statements of the Group for the year ended December 31, 2023), and is of the view that the annual results of the Group for the year ended December 31, 2023 is prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosures have been duly made.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. Information on the corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's total issued Shares, which is the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, was held by the public at all times during the Reporting Period and the period thereafter up to the date of this annual report.

AUDITOR

Deloitte Touche Tohmatsu was appointed as the auditor of the Company during the Reporting Period. The Company did not change its auditor since the Listing Date.

Deloitte Touche Tohmatsu shall retire at the AGM and, being eligible, will offer itself for re-appointment as auditor of the Company. A resolution for the re-appointment of Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the AGM.

On behalf of the Board
Dr. Zhi Hong
Chairman
Hong Kong, March 22, 2024

CORPORATE GOVERNANCE REPORT

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

CORPORATE CULTURE AND STRATEGY

Brii Biosciences Limited, as a biotechnology company focusing on developing innovative treatment for infectious diseases and CNS disorders, is devoted to tackle public health challenges through breakthrough scientific innovation and critical patients' insights. To achieve the mission, the Company strives to be diligent and devoted to excellence. Led by a visionary and experienced leadership team, the Company has considerable scientific expertise and a proven ability to progress therapeutic assets from discovery to commercial approval. The Company also embraces a value of patients first, trust, integrity and quality, of which, patients' insight and trust from our stakeholders set the forefront of our decision making, and the Company's operation is guided by high standard of business model code and strict quality control of the whole product life cycle.

The Board believes that strong corporate governance provides a solid foundation to achieve the corporate mission and values. With this fundamental, the Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and enhance corporate value and accountability. This philosophy extends from the Board to our management team and employees at all levels and in every aspect of our business. During the Reporting Period, the Company continued to enhance sound corporate governance. On the Board level, four Board committees, namely, the Audit and Risk Committee, the Nomination Committee, the Remuneration Committee and the Strategy Committee, have been established to assume different responsibilities to enhance the function of the Board to cover different corporate governance topics. Professional training sessions were also performed across the Company to facilitate the awareness of well practice in corporate governance and compliance, so as to ensure the Company is in compliance with the latest corporate governance requirements.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the CG Code contained in Appendix C1 to the Listing Rules as its own code of corporate governance. During the Reporting Period, the Company has complied with all the applicable code provisions of the CG Code save and except for the following deviation from code provision C.2.1 of the CG Code.

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Accordingly, the appointment of Dr. Zhi Hong as the chairman of the Board and the chief executive officer of the Company deviates from the relevant code provision. Dr. Zhi Hong, as the founder of the Group, has extensive experience in the biopharmaceutical industry and has served in the Company since its establishment. Dr. Zhi Hong is in charge of overall management, business, strategic development and scientific research and development of the Group. The Board considers that vesting the roles of the chairman of the Board and the chief executive officer of the Company in the same person, Dr. Zhi Hong, is beneficial to the management of the Group. The Board also believes that the combined role of the chairman of the Board and the chief executive officer of the Company can promote the effective execution of strategic initiatives and facilitate the flow of information between management and the Board.

The balance of power and authority is ensured by the operation of the Board, which comprises experienced and diverse individuals. The Board currently comprises two executive Directors, one non-executive Director and five independent non-executive Directors, and therefore has a strong independent element in its composition. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of chairman and the chief executive officer is necessary.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

The Board oversees the Group's businesses, strategic decisions and performance and should take decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required of a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time in performing them.

The Board currently comprises the following Directors:

Executive Directors

Dr. Zhi Hong *(Chairman and Chief Executive Officer)*

Dr. Ankang Li

Non-executive Director

Mr. Robert Taylor Nelsen

Independent non-executive Directors

Dr. Martin J Murphy Jr

Ms. Grace Hui Tang

Mr. Yiu Wa Alec Tsui

Mr. Gregg Huber Alton

Dr. Taiyin Yang

The biographical information of the Directors are set out in the section headed "Directors and Senior Management" of this annual report.

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

None of Directors have any financial, business, family or other material/relevant relationships with one another.

Board Meetings, General Meetings and Directors' Attendance Records

Code provision C.5.1 of the CG Code prescribes that at least four regular Board meetings should be held in each year at approximately quarterly intervals with active participation of majority of directors, either in person or through electronic means of communication.

During the Reporting Period, the Board convened seven Board meetings. The attendance record of each Director at the Board, Board committee meetings and general meetings of the Company held are listed below:

	Attendance/Number of Meetings						
Name of Directors	Board Meetings	Audit and Risk Committee	Remuneration Committee	Nomination Committee	Strategy Committee	Annual General Meeting	Extraordinary General Meeting
Executive Directors							
Dr. Zhi Hong	7/7	N/A	N/A	1/1	N/A	1/1	1/1
Dr. Ankang Li	7/7	N/A	N/A	N/A	1/1	1/1	1/1
Non-executive Director							
Mr. Robert Taylor Nelsen	3/7	N/A	N/A	N/A	0/1	1/1	1/1
Independent Non-executive Directors							
Dr. Martin J Murphy Jr	7/7	N/A	1/1	1/1	N/A	1/1	1/1
Ms. Grace Hui Tang	5/7	2/2	1/1	N/A	N/A	1/1	0/1
Mr. Yiu Wa Alec Tsui	7/7	2/2	1/1	N/A	N/A	1/1	1/1
Mr. Gregg Huber Alton	6/7	N/A	N/A	1/1	1/1	0/1	1/1
Dr. Taiyin Yang	6/7	2/2	N/A	N/A	1/1	0/1	1/1

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

Independent Non-executive Directors

During the Reporting Period, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing not less than one third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

Appointment and Re-election of Directors

Each of the Directors is engaged on a service contract (in the case of the executive Directors) or a letter of appointment (in the case of the non-executive Director and independent non-executive Directors) for a specific term of three years, which is renewable by mutual consent and subject to the Listing Rules and the Articles of Association.

The Articles of Association provides that all Directors appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election at that meeting.

Every Director (including those appointed for a specific term) shall also be subject to retirement and re-election by rotation at least once every three years at the annual general meetings of the Company under the Articles of Association.

Responsibilities of the Directors

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

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

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

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

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

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

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

Board Independence Evaluation

The Company values the interests of Shareholders and has established appropriate mechanisms to ensure independent views and input are available to the Board. At present, the majority of the Board is comprised of independent non-executive Directors which ensures a strong independent element on the Board. The chairman of the Board also meets with the independent non-executive Directors regularly without the presence of other Directors. In addition, all Directors are entitled to seek advice from independent professional advisors at the Company's expense.

The Company has also established channels through formal and informal means whereby Directors can express their views in an open manner, and in a confidential manner, should circumstances requires. All Directors are encouraged to express their independent opinions and constructive challenges during the meetings.

During the Reporting Period, the Board has reviewed the implementation and effectiveness of such mechanism and is satisfied with the results. The Board will keep reviewing the mechanism on an annual basis and make adjustments or amendments in due course.

Continuous Professional Development of Directors

Every newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Besides, meetings with senior management of the Company were also arranged.

During the Reporting Period, all of the Directors participated in training sessions which covered a wide range of relevant topics including directors' duties and responsibilities, continuing connected transaction, disclosure of interests and regulatory updates and/or were provided with relevant reading materials including compliance manual, legal and regulatory updates and seminar handouts for their reference and studying. The table below summarises the participation of each of the Directors in continuous professional development during the Reporting Period:

Name of Directors	**Participated in continuous professional development** Note
Dr. Zhi Hong	√
Dr. Ankang Li	√
Mr. Robert Taylor Nelsen	√
Dr. Martin J Murphy Jr	√
Ms. Grace Hui Tang	√
Mr. Yiu Wa Alec Tsui	√
Mr. Gregg Huber Alton	√
Dr. Taiyin Yang	√

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

BOARD COMMITTEES

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

The majority of the members of the Remuneration Committee, the Audit and Risk Committee and the Nomination Committee, as well as half of the members in the Strategy Committee, are independent non-executive Directors.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

Audit and Risk Committee

The Audit and Risk Committee currently consists of three independent non-executive Directors, namely Ms. Grace Hui Tang, Dr. Taiyin Yang and Mr. Yiu Wa Alec Tsui. Each of Ms. Grace Hui Tang and Dr. Taiyin Yang, being the co-chairlady of the Audit and Risk Committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The terms of reference of the Audit and Risk Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit and Risk Committee include, but not limited to, assisting the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities as assigned by the Board.

The Audit and Risk Committee is also responsible for performing the functions set out in code provision A.2.1 of the CG Code. These include developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board; reviewing and monitoring the Company's financial controls, risk management and internal control systems; reviewing and monitoring the training and continuous professional development of Directors and senior management of the Company; reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and Directors of the Company; and reviewing the Company's compliance with the CG Code from time to time adopted by the Company and the disclosure in the corporate governance report to be contained in the Company's annual report. The Audit and Risk Committee has performed the above functions and reported to the Board during the Reporting Period.

The Audit and Risk Committee held two meetings during the Reporting Period to review and consider the final results and the audited financial statements of the Group for the year ended December 31, 2023 and the interim results and the interim report of the Group for the six months ended June 30, 2023, the ESG strategy and 2023 ESG Report, as well as the effectiveness of the internal control and risk management system of the Group.

The Audit and Risk Committee also met the external auditor once during the Reporting Period without the presence of the executive Directors and the management.

The Company's annual results for the year ended December 31, 2023 have been reviewed by the Audit and Risk Committee.

Remuneration Committee

The Remuneration Committee currently consists of three independent non-executive Directors, namely Dr. Martin J Murphy Jr, Mr. Yiu Wa Alec Tsui and Ms. Grace Hui Tang. Dr. Martin J Murphy Jr is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Remuneration Committee include, but are not limited to, making recommendations to the Board on our policy and structure for all remuneration of Directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing policy on such remuneration, determining the specific remuneration packages of all Directors and senior management of the Company and reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

The Remuneration Committee held one meeting during the Reporting Period to review and make recommendations to the Board on the remuneration policy and structure of the Company and the remuneration packages of the Directors and senior management of the Company, and other related matters. Pursuant to the Rule 17.07A of the Listing Rules, the Remuneration Committee reviewed and approved the adoption of the 2023 Share Option Scheme and the 2023 Share Award Scheme, as well as grants of options and RSUs to Directors and senior management during the Reporting Period. Having considered that the Directors and senior management will contribute directly to the overall business performance, sustainable development and/or good corporate governance of the Group, the grants of options and RSUs are recognition for the past contributions of the Directors and senior management to the Group, the Remuneration Committee is of the view that the terms and conditions on grants of options and awards to Directors and senior management are market competitive, consistent with the Company's remuneration policy, and will align the interests of the Directors and senior management with those of the Company and the Shareholders, motivate them to work towards successes of the Group and reinforce their commitment to the long-term service of the Group, which is in line with the purpose of the Post-IPO Share Option Scheme and the Post-IPO Share Award Scheme. In addition, the vesting period of certain options and RSUs in the first tranche of the grants of options and RSUs to the Directors and senior management is shorter than 12 months because they should have been granted earlier but had to wait for a subsequent batch during the year for administrative and compliance reasons, hence the shorter vesting period reflects the time from which the options and RSUs would have been granted, and they will be granted in a mixed vesting schedule in tranches over a period of four years from the vesting start date, which is more than 12 months. Having considered the above, and taking into account the grant of options and RSUs to the Directors and senior management serve as a recognition of their past contributions to the Group and the expected significant contribution they will make to the Group, the Remuneration Committee is of the view that a vesting period shorter than 12 months in the said first tranche for the grants of options and RSUs to the Directors and senior management is appropriate for retaining, incentivizing and rewarding them, as well as encouraging them to continuously contribute to the operation, development and long-term success and growth of the Group, which is in line with the purposes of the Post-IPO Share Option Scheme and the Post-IPO Share Award Scheme.

Pursuant to code provision E.1.5 of the CG Code, details of the remuneration of the senior management (other than Directors) by bands for the year ended December 31, 2023 is as follows:

Remuneration bands	Number of persons
HK$0 to HK$8,000,000	4
HK$8,000,001 and above	4

Nomination Committee

The Nomination Committee currently consists of one executive Director, namely Dr. Zhi Hong, and two independent non-executive Directors, namely Dr. Martin J Murphy Jr and Mr. Gregg Huber Alton. Mr. Gregg Huber Alton is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Nomination Committee include, without limitation, reviewing the structure, size and composition of the Board, assessing the independence of independent non-executive Directors and making recommendations to the Board on matters relating to the appointment of Directors.

The Nomination Committee has adopted a nomination policy which is incorporated in the terms of reference of the Nomination Committee and sets out the selection criteria and nomination procedures for identifying and recommending candidates for appointment or re-appointment of Director. The Nomination Committee shall evaluate and select candidates based on the criteria by reference to character and integrity, business experience relevant and beneficial to the Company, qualifications including professional qualifications, skills and knowledge that are relevant to the Company's business and corporate strategy, willingness to devote adequate time to discharge duties as a member of the Board and other significant commitments, present needs of the Board for particular expertise, skills or experience and whether the candidates would satisfy those needs, requirement for the Board to have independent non-executive Directors in accordance with the Listing Rules and whether the candidates for independent non-executive Directors would be considered independent with reference to the independence guidelines set out in the Listing Rules and the Board Diversity Policy and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board. The Directors appointed and re-elected as Directors during the Reporting Period was subject to a stringent nomination procedure in accordance with the nomination policy and the board diversity policy of the Company, to ensure the Board possesses the necessary skills, experience and knowledge in alignment with the Company's strategy.

The Nomination Committee held one meeting during the Reporting Period to review the composition and structure of the Board and the independence of the independent non-executive Directors, make recommendation on the re-election of the retiring Directors, and review the Board Diversity Policy and any measurable objectives for implementing the Board Diversity Policy as may be adopted by the Board from time to time.

Board Diversity Policy

Pursuant to Rule 13.92 of the Listing Rules, the nomination committee (or the Board) shall have a policy concerning diversity of Board members, and shall disclose the policy on diversity or a summary of the policy in the corporate governance report. In order to enhance the effectiveness of the Board and to maintain the high standard of corporate governance, the Company has adopted the board diversity policy (the "**Board Diversity Policy**") which sets out our objectives and approach to achieve and maintain diversity of the Board. Pursuant to the Board Diversity Policy, we seek to achieve Board diversity through the consideration of a number of factors when selecting the candidates to the Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural, education background and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to the Board.

The Board Diversity Policy specifies that the appointment of Directors will be based on meritocracy, and candidates will be evaluated against objective criteria, having due regard for the benefits of diversity of the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, ethnicity, language, cultural and educational background, industry and professional experience.

The Nomination Committee is responsible for reviewing the diversity of the Board, and it will continue to monitor and evaluate the implementation of the Board Diversity Policy from time to time to ensure its continued effectiveness. The Nomination Committee reviews the implementation of the Board Diversity Policy, including any measurable objectives set for implementing the Board Diversity Policy and the progress on achieving these objectives on an annual basis.

Currently, the Board comprises eight members, including two executive Directors, one non-executive Director and five independent non-executive Directors. Among which, two of the eight members of the Board are female Directors. The Directors have a balanced mix of gender, knowledge, skills, perspectives and experience, including overall management and strategic development, business, science, investment, accounting and consulting. They obtained professional and academic qualifications including business administration, medical science, biology, economics, accounting, industrial engineering and legal studies. Furthermore, the Board possesses members spanning a wide range of ages, from 46 years old to 81 years old.

The Nomination Committee has reviewed the membership, structure and composition of the Board, and is of the opinion that the structure of the Board is reasonable, and the experiences and skills of the Directors in various aspects and fields can enable the Company to maintain high standard of operation. Taking into account our existing business model and specific needs as well as the different background of the Directors, in the opinion of the Board, the current composition of the Board satisfies the Board Diversity Policy, and the Board and the Nomination Committee will assess the Board composition regularly, at least on an annual basis. We will also continue to take steps to promote gender diversity at all levels of the Company, including but without limitation at the Board and senior management levels.

Gender Diversity

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

	Female	Male
Board	25.0% (2)	75.0% (6)
Senior Management	40.0% (4)	60.0% (6)
Other employees	70.3% (83)	29.7% (35)
Overall workforce	65.4% (89)	34.6% (47)

Taking into account of the Company's business model and our objectives in diversity and inclusion, we consider that at present there is a reasonable gender diversity in the Group's workforce, and will continue to monitor the need to maintain or, if desired or necessary, increase diversity.

Strategy Committee

The Strategy Committee currently consists of one executive Director, namely Dr. Ankang Li, one non-executive Director, namely Mr. Robert Taylor Nelsen, and two independent non-executive Directors, namely Mr. Gregg Huber Alton and Dr. Taiyin Yang. Dr. Ankang Li is the chairman of the Strategy Committee.

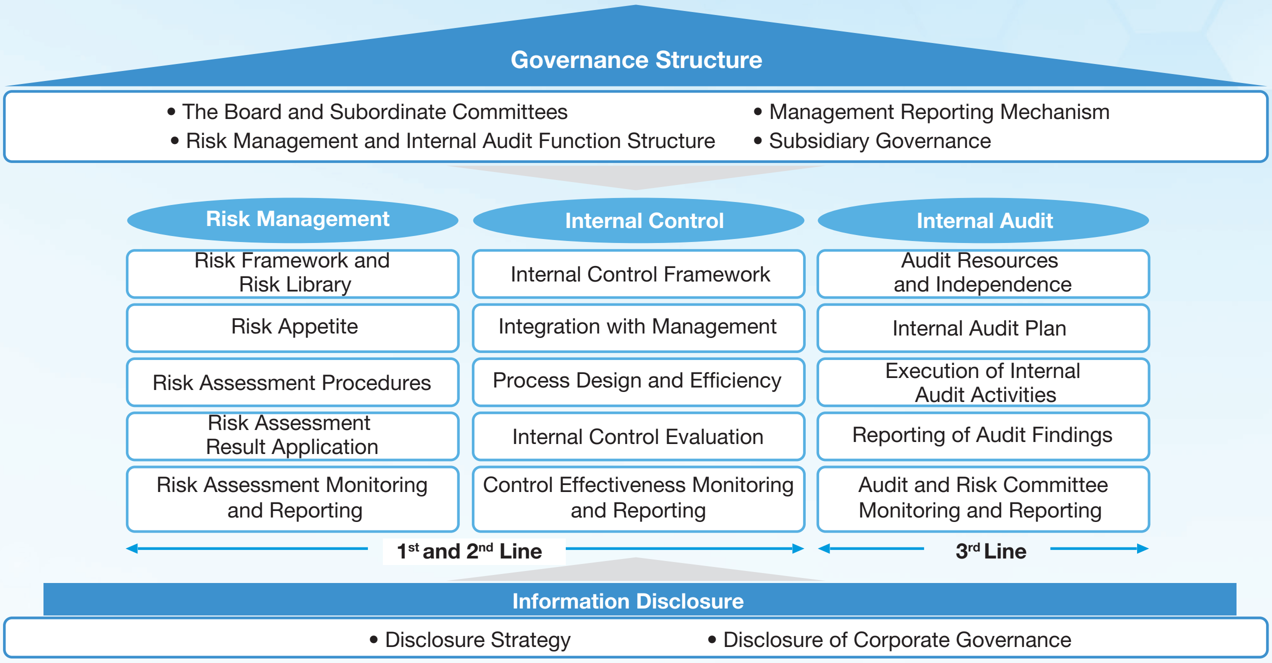
The main duties of the Strategy Committee include, without limitation, assisting the full Board, in conjunction with management, in addressing the Company's overall mission, vision and strategic direction. Areas of focus include providing to the Board and management, as applicable, input and recommendations with respect to key strategic initiatives and major R&D programs and partnerships, assisting management in establishing a strategic planning process, identifying and addressing organizational challenges and evaluating strategic alternatives.

The Strategy Committee held one meeting during the Reporting Period to review the current performance and discuss the future development strategy of the Company.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges that it has the overall responsibility to maintain sound and effective risk management and internal control systems (the "**Systems**"), including financial, operational and compliance controls, for the Company and to review their effectiveness to safeguard the Company's assets, to protect Shareholders' values, and to identify and manage the risks so that they can be understood, reduced, mitigated, transferred or avoided to achieve business objectives. The Systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

During the Reporting Period, a comprehensive review of corporate governance situation was conducted to evaluate the compliance with the provisions of the CG Code regarding the Systems. The review has also considered the adequacy of resources, qualifications, and experience of staff of the Company's accounting, internal audit and financial reporting functions, and their training programs and budget as well as those relating to the Company's ESG performance and reporting. Such review is performed on an annual basis.



Governance Structure

The Board has entrusted the Audit and Risk Committee with the responsibility to develop and review the Systems and the Company's policies and practices on corporate governance and make recommendations to the Board. Management delegated by the Board leads and directs actions and applications of resources to achieve the objectives of the organization with design, implementation, and monitoring of the Systems. Management of the Company also maintains a continuous dialogue with the Board and reports on outcomes linked to the objectives of the organization and risks.

Three-line risk management framework

The established three-line risk management framework functions to ensure the Company's healthy and efficient operations continuously. First-line role performed by the functional departments comprises delivery of products or services and managing risks in daily operation. Second-line role performed by the supporting departments such as financial, legal, compliance and quality assurance provides complementary expertise, support, monitoring, and integrates challenge related to the management of risk. In particular, company-wide exercises have been launched to rationalize the existing policies and procedures so as to further emphasize the internal control objectives through the risk management procedures from identification, evaluation, remedy to monitor.

Third-line role performed by audit function provides independent and objective assurance and advice on the adequacy and effectiveness of governance and risk management. An external independent third party engaged by the Company has conducted reviews of the Company's core business processes. Key focuses of the review include:

- Supervising and evaluating the truth, validity and effectiveness of financial revenues and expenditures, financial budgets, business performance and other related economic activities of the Company

- Examining the effectiveness of internal control
- Effectively implementing the relevant regulations and decisions of the Company

Identified deficiencies in operations and opportunities were communicated to senior management of the respective business units to enforce the remediation.

In view of the Company's size and stage, the Company has not established internal audit function as of December 31, 2023. The Board will review from time to time to assess the necessity of setting up an internal audit function.

The Company has also put in place the Anti-Bribery and Anti-Corruption Policy to safeguard against corruption and bribery within the Company. The Company has an internal reporting channel that is open and available for employees of the Company to report any suspected corruption and bribery. Employees can also make anonymous reporting to the Company's chief executive officer or the General Manager in Great China.

The Company has attached great importance to Data Privacy and Data Security in compliance with applicable data laws and regulations. The Company has established policies and procedures to regulate the security and confidentiality of information related to the Company's business. Comprehensive assessment of cross-border data transfer activities has also been conducted by independent third party, and the conclusion of the assessment shows that no legal entity of the Company has hit the National Cyberspace Administration's thresholds. Moreover, key employees identified by the Company are required to enter into confidentiality agreements with the Company, which describe the obligation to hold the Company's confidential information in strictest confidence.

Besides, during the Reporting Period, the Company persistently dedicated efforts in enhancing the maturity of the corporate governance infrastructure including the systems across various business units and functions.

01 **Integrate risk management into the business operation** - Establish comprehensive assessment system for decision-making with continuous monitoring mechanism.

02 **Secure resources for risk management** - Engage external advisors to conduct a formalized risk assessment in the form of risk assessment questionnaire and risk assessment interview.

03 **Respond to regulation change** - Take prompt measures for the compliance requirements regarding clinical development, information security, etc.

04 **Monitor and assess the operation of Risk Management Framework** - Perform regular review of the adequacy and effectiveness of risk management and internal control systems.

05 **Strengthen financial operation and oversight activities** - Establish standard operating process and procedures, such as budgeting and tracking mechanisms, expense monitoring, etc.

06 **Optimize organization structure and reporting lines** - Take actions to better leverage the leadership and experts' oversight at the functional level.

07 **Develop robust product pipelines** - Dynamically adjust resource allocation and actively collaborate with industry partners to improve the efficiency of portfolio advancement.

08 **Enhance clinical development capabilities in various ways** - Expand the research team and utilize external partnership and expertise resources.

Based on the ongoing efforts devoted by the Company and external reviews carried out by external advisor, the Board concluded that the risk management and internal control systems of the Company are effective and adequate. There are neither material irregularities nor areas of material concerns that would have significant adverse impacts on the Company's financial positions or results of operations.

The Company has established policies and procedures to regulate the transactions in the Company's securities conducted by directors and relevant employees, identification and disclosure of notifiable and connected transactions, as well as management of the Company's inside information.

Information Disclosure

The Company regulates the handling and dissemination of inside information in compliance with requirements of the SFO and the Listing Rules. The Company discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. For the confidential information related to the Company's business, every employee is required to enter into an invention and confidentiality agreement with the Company, which describes the obligation to hold the Company's confidential information in strictest confidence.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

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

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the section headed "Independent Auditor's Report" of this annual report.

DIVIDEND POLICY

The Company has never declared or paid regular cash dividends on its ordinary shares. The Company currently expects to retain all future earnings for use in the operation and expansion of the business and does not anticipate paying cash dividends in the foreseeable future. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Companies Act (As Revised) of the Cayman Islands.

AUDITOR'S REMUNERATION

An analysis of the remuneration paid/payable to the external auditor of the Company, Deloitte Touche Tohmatsu, in respect of audit services and non-audit services for the year ended December 31, 2023 is set out below:

Service Category	**Fees Paid/Payable** RMB'000
Audit services	2,106
Non-audit Service	
– Interim review	919
– Tax service	768
– Compliance advisory service	523
– Other	47
TOTAL	4,363

JOINT COMPANY SECRETARIES

Dr. Ankang Li, an executive Director, the chief financial and strategy officer and a joint company secretary of the Company, is responsible for making recommendations to the Board on corporate governance matters, and ensuring compliance with the policies and procedures of the Board and applicable laws, rules and regulations.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also engages Ms. Wing Tsz Wendy Ho, an executive director of corporate services of Tricor Services Limited (a corporate secretarial service provider), as another joint company secretary of the Company to assist Dr. Ankang Li in performing his duties as the company secretary of the Company. The primary corporate contact person of Ms. Wing Tsz Wendy Ho at the Company is Dr. Ankang Li, one of the joint company secretaries of the Company.

During the Reporting Period, Dr. Ankang Li and Ms. Wing Tsz Wendy Ho had undertaken no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

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

Convening an Extraordinary General Meeting

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

Putting Forward Proposals at General Meetings

There are no provisions in the Articles of Association or the Cayman Islands Companies Act for Shareholders to move new resolutions at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph. As regards to proposing a person for election as a Director of the Company, please refer to the "Procedures for Shareholders to Propose a Person for Election as a Director of the Company" which is published on the Company's website.

Putting Forward Enquiries to the Board

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

CONTACT DETAILS

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

Address:	3rd Floor, Building 7, Zhongguancun Dongsheng International Science Park No. 1 North Yongtaizhuang Road, Haidian District, Beijing, 100192 China
Email:	ir@briibio.com

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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

The Company maintains a website at www.briibio.com as a communication platform with Shareholders and investors of the Company, where the financial information and other relevant information of the Company are available for public access.

Shareholders' Communication Policy

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

The Company has established a number of channels, such as shareholders' enquiries, corporate communication, relevant websites, shareholders' meetings and investment market communication, for maintaining an on-going dialogue with its Shareholders. For detailed of these channels, please refer to the Shareholders' Communication Policy published on the website of the Company.

CONSTITUTIONAL DOCUMENTS

On March 24, 2023, the Board proposed to amend the memorandum and articles of association of the Company in order to, inter alia, (i) bring the memorandum and articles association of the Company in alignment with the Core Shareholder Protection Standards as set out in Appendix A1 (formerly known as Appendix 3) to the Listing Rules ; (ii) allow general meetings of the Company to be held where the Shareholders may participate by electronic means or by attending the meetings physically; (iii) allow the chairperson of any general meetings of the Company to participate by electronic means; and (iv) make some other housekeeping amendments to the memorandum and articles of association of the Company. The proposed amendments and the proposed adoption of the amended and restated memorandum and articles of association of the Company was approved by way of a special resolution at the annual general meeting of the Company held on June 20, 2023. For details, please refer to the Company's announcements dated March 24, 2023 and Company's circular dated April 27, 2023.

An up-to-date version of the Company's memorandum and articles of association is available on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.briibio.com).

Deloitte. 德勤

TO THE SHAREHOLDERS OF BRII BIOSCIENCES LIMITED
腾盛博药生物科技有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited these consolidated financial statements of Brii Biosciences Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 83 to 151, 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 these consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, these consolidated financial statements give a true and fair view of these 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") issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of these Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for 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 judgment, was of most significance in our audit of these consolidated financial statements of the current period. This matter was addressed in the context of our audit of these consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter	How our audit addressed the key audit matter
Cut-off of outsourcing research and development expenses	
During the year ended December 31, 2023, the Group incurred research and development ("R&D") expenses of RMB402.7 million. The recording of outsourcing service fees to the appropriate financial reporting period and the corresponding accruals at the end of the reporting period based on the progress of the R&D projects. Outsourcing service fees of RMB11.5 million were accrued at December 31, 2023 as set out in Note 23 to these consolidated financial statements. We identified the cut-off of outsourcing service fees as a key audit matter due to its significant amount and the risk of not accruing outsourcing service fees incurred for services provided by contract research organisations and contract manufacturing organisations (collectively referred to as the "Outsourced Service Providers") in the appropriate financial reporting period.	Our procedures performed on the cut-off of the outsourcing service fees included: • Understanding of key controls in relation to the accrual of the outsourcing service fees and evaluating the design and implementation and operating effectiveness of these controls; • For the expenses accrued to the Outsourced Service Providers at December 31, 2023, performing test of details, on a sample basis, by: (1) checking the respective contract terms and/or milestones of the relevant agreements and the progress reported by the representatives of the relevant Outsourced Service Providers; (2) sending confirmation to confirm the progress of the outsourcing services provided for the year ended December 31, 2023; and • Checking the subsequent payment to Outsourced Service Providers, on sample basis, to evaluate the adequacy of the outsourcing service fees accrual at the year end.

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 these consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of these consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with these 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 OF THE COMPANY AND THOSE CHARGED WITH GOVERNANCE FOR THESE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of these 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 these 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 THESE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether these 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 these consolidated financial statements.

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors 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 these 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 these consolidated financial statements, including the disclosures, and whether these 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 these consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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 these 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 22, 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2023

	Notes	Year ended December 31, 2023 RMB'000	2022 RMB'000
Revenue	6	617	51,626
Other income	7	163,728	107,857
Other gains and losses, net	8	252,402	(12,289)
Research and development expenses		(402,705)	(440,634)
Administrative expenses		(196,499)	(168,629)
Selling and marketing expenses		(1,419)	(26,861)
Finance costs	9	(494)	(851)
Loss before tax	10	(184,370)	(489,781)
Income tax expense	11	–	–
Loss for the year		(184,370)	(489,781)
Other comprehensive income (expense):			
Items that will not be reclassified to profit or loss:			
Exchange differences on translation from functional currency to presentation currency		45,305	297,388
Fair value loss on equity instrument at fair value through other comprehensive income ("FVTOCI")		(19,609)	(30,110)
		25,696	267,278
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(1,013)	(15,953)
Other comprehensive income for the year		24,683	251,325
Total comprehensive expense for the year		(159,687)	(238,456)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2023

		Year ended December 31,	
	Note	2023 RMB'000	2022 RMB'000
Loss for the year attributable to:			
Owners of the Company		(174,829)	(484,312)
Non-controlling interests		(9,541)	(5,469)
		(184,370)	(489,781)
Total comprehensive expense for the year attributable to:			
Owners of the Company		(150,146)	(232,987)
Non-controlling interests		(9,541)	(5,469)
		(159,687)	(238,456)
Loss per share	13		
– Basic and diluted (RMB)		(0.24)	(0.67)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2023

	Notes	At December 31, 2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment	16	2,117	7,345
Right-of-use assets	17	3,492	12,177
Intangible assets	18	267,420	146,887
Financial assets at fair value through profit or loss ("FVTPL")	19	134,560	139,794
Equity instrument at FVTOCI	20	7,884	6,234
Rental deposits	21	–	2,513
		415,473	314,950
Current assets			
Deposits, prepayments and other receivables	21	121,388	77,640
Restricted bank deposits	22	729	1,875
Time deposits with original maturity over three months	22	2,171,011	1,806,812
Cash and cash equivalents	22	489,650	1,190,572
		2,782,778	3,076,899
Current liabilities			
Other payables	23	72,081	164,937
Lease liabilities	24	3,156	9,500
Deferred income		50,632	54,676
		125,869	229,113
Net current assets		2,656,909	2,847,786
Total assets less current liabilities		3,072,382	3,162,736

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2023

	Notes	At December 31, 2023 RMB'000	2022 RMB'000
Non-current liabilities			
Lease liabilities	24	–	3,156
Deferred income		–	2,083
		–	5,239
Net assets		3,072,382	3,157,497
Capital and reserves			
Share capital	25	24	24
Share premium and reserves		3,119,016	3,194,590
Equity attributable to owners of the Company		3,119,040	3,194,614
Non-controlling interests	32	(46,658)	(37,117)
Total equity		3,072,382	3,157,497

These consolidated financial statements on pages 83 to 151 were approved and authorised for issue by the board of directors of the Company on March 22, 2024 and are signed on its behalf by:

ZHI HONG	**ANKANG LI**
DIRECTOR	*DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2023

	Attributable to owners of the Company										
	Share capital RMB'000	Treasury shares held in trust RMB'000	Share premium RMB'000	Investments revaluation reserve RMB'000	Translation reserve RMB'000	Other reserve RMB'000 (note)	Share-based payment reserve RMB'000	Accumulated losses RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At January 1, 2022	23	–	9,317,066	12,457	26,127	(75,917)	101,046	(6,037,898)	3,342,904	(31,648)	3,311,256
Loss for the year	–	–	–	–	–	–	–	(484,312)	(484,312)	(5,469)	(489,781)
Other comprehensive (expense) income	–	–	–	(30,110)	281,435	–	–	–	251,325	–	251,325
Total comprehensive (expense) income for the year	–	–	–	(30,110)	281,435	–	–	(484,312)	(232,987)	(5,469)	(238,456)
Repurchase of shares by trust and converted into treasury shares held in trust	–	–*	(678)	–	–	–	–	–	(678)	–	(678)
Recognition of equity-settled share-based payments (Note 26)	–	–	–	–	–	–	77,928	–	77,928	–	77,928
Vesting of restricted ordinary shares and restricted share units	–	–*	7,933	–	–	–	(7,933)	–	–	–	–
Exercising of share options	1	–	27,792	–	–	–	(20,346)	–	7,447	–	7,447
At December 31, 2022	24	–	9,352,113	(17,653)	307,562	(75,917)	150,695	(6,522,210)	3,194,614	(37,117)	3,157,497
Loss for the year	–	–	–	–	–	–	–	(174,829)	(174,829)	(9,541)	(184,370)
Other comprehensive (expense) income	–	–	–	(19,609)	44,292	–	–	–	24,683	–	24,683
Total comprehensive (expense) income for the year	–	–	–	(19,609)	44,292	–	–	(174,829)	(150,146)	(9,541)	(159,687)
Reversal of accrued issue costs	–	–	11,332	–	–	–	–	–	11,332	–	11,332
Repurchase of shares by trust and converted into treasury shares held in trust	–	(1,162)	–	–	–	–	–	–	(1,162)	–	(1,162)
Recognition of equity-settled share-based payments (Note 26)	–	–	–	–	–	–	64,223	–	64,223	–	64,223
Vesting of restricted share units	–*	1,095	12,768	–	–	–	(13,863)	–	–	–	–
Exercising of share options	–*	–	632	–	–	–	(453)	–	179	–	179
At December 31, 2023	24	(67)	9,376,845	(37,262)	351,854	(75,917)	200,602	(6,697,039)	3,119,040	(46,658)	3,072,382

* Amount less than RMB1,000

Note: Other reserve represents the adjustment to the non-controlling interests to reflect the changes in the respective share of the carrying amounts of the net liabilities of a subsidiary upon the capital contribution by the Company which resulted in its additional interest in that subsidiary.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2023

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
OPERATING ACTIVITIES		
Loss before tax	(184,370)	(489,781)
Adjustments for:		
Bank interest income	(108,023)	(37,204)
Depreciation of property, plant and equipment	5,228	5,228
Depreciation of right-of-use assets	8,685	8,685
Amortisation of intangible assets	1,761	3,119
Impairment loss of intangible assets	5,432	–
Finance costs	494	851
Net foreign exchange losses	1,346	43,575
Share-based payment expenses	64,223	77,928
Fair value gain on money market funds	(7,042)	(5,437)
Fair value gain on financial assets at FVTPL	(129,202)	(26,249)
Gain on Qpex transaction (Note 15)	(131,813)	–
Operating cash flow before movements in working capital	(473,281)	(419,285)
Increase in deposits, prepayments and other receivables	(33,144)	(15,645)
Decrease in other payables	(81,462)	(58,141)
Decrease in deferred income	(6,127)	(3,208)
NET CASH USED IN OPERATING ACTIVITIES	(594,014)	(496,279)
INVESTING ACTIVITIES		
Interest received	106,958	34,642
Receipt of return from money market funds	7,042	5,437
Placement of time deposits with original maturity over three months	(3,465,416)	(2,101,905)
Withdrawal of time deposits with original maturity over three months	3,128,070	752,923
Placement of restricted bank deposits	–	(2,133)
Withdrawal of restricted bank deposits	1,146	707
Purchase of intangible assets	(49,608)	(139,292)
Proceeds from disposal of financial assets at FVTPL	133,020	16,453
Purchase of financial assets at FVTOCI	(21,590)	–
Proceeds on Qpex transaction (Note 15)	56,028	–
NET CASH USED IN INVESTING ACTIVITIES	(104,350)	(1,433,168)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2023

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
FINANCING ACTIVITIES		
Proceeds from exercise of share options	179	7,447
Payments of lease liabilities	(9,500)	(8,960)
Interest paid	(494)	(851)
Payment on repurchase of shares by trust	(1,162)	(678)
NET CASH USED IN FINANCING ACTIVITIES	(10,977)	(3,042)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(709,341)	(1,932,489)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	1,190,572	2,855,093
Effects of exchange rate changes	8,419	267,968
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	489,650	1,190,572

1. GENERAL INFORMATION

Brii Biosciences Limited (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability on December 8, 2017. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on July 13, 2021 (the "**Listing**"). The addresses of the Company's registered office and principal place of business is PO Box 309, Ugland House, Grand Cayman, KY1 – 1104, Cayman Islands and 3rd Floor, Building 7, Zhongguancun Dongsheng, International Science Park, No. 1 North Yongtaizhuang Road, Haidian District, Beijing, People's Republic of China (the "**PRC**"), respectively.

The Company and its subsidiaries (collectively referred to as the "**Group**") are committed to advancing therapies for significant infectious diseases and other illnesses which have significant public health burdens in the PRC and worldwide. The Group is based in the PRC, the United States of America (the "**USA**") and Australia and primarily focused on developing therapies for infectious diseases and central nervous system diseases.

The functional currency of the Company and the operating subsidiary incorporated in the USA and Australia is United States Dollars ("**US$**") and Australian Dollars, respectively. The functional currency of the PRC operating subsidiaries is Renminbi ("**RMB**"). The presentation currency of these consolidated financial statements is RMB as it best suits the needs of the shareholders and investors.

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 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 period beginning on January 1, 2023 for the preparation of these 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 these 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 these 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 ("IAS 12") 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, 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 recognised deferred tax assets and deferred tax liabilities of RMB3,044,000 on a gross basis but it has no impact on the retained earnings at the earliest period presented.

2.2 Impacts on application of Amendments to IAS 12 Income Taxes International Tax Reform – Pillar Two model Rules

The Group has applied the amendments for the first time in the current year. IAS 12 is amended to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (the "Pillar Two legislation"). The amendments require that entities apply the amendments immediately upon issuance and retrospectively. The amendments also require that entities to disclose separately its current tax expense/income related to Pillar Two income taxes in periods which the Pillar Two legislation is in effect, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after January 1, 2023.

The Group is yet to apply the temporary exception during the current year because the Group's entities are operating in jurisdictions which the Pillar Two legislation has not yet been enacted or substantially enacted. The Group will disclose known or reasonably estimable information that helps users of financial statements to understand the Group's exposure to Pillar Two income taxes in the Group's annual consolidated financial statements when the Pillar Two legislation is enacted or substantially enacted and will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect.

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

2.3 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.

IFRS Practice Statement 2 Making Materiality Judgments (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 these 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 Arrangement[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 these 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

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

The directors of the Company have, at the time of approving these 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 these consolidated financial statements.

3.2 Material accounting policy information

Basis of consolidation

These 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 those financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

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

3.2 Material accounting policy information (Continued)

Basis of consolidation (Continued)

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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in Note 6.

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

The Group applies the short-term lease recognition exemption to leases (i.e. rental of vehicles) that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line 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 represents 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.

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 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.

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 included in the measurement of the lease liabilities represents the fixed payments of the lease.

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

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

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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 modifications (Continued)

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets.

When the modified contract contains one or more additional lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component. The associated non-lease components are included in the respective lease components.

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 the 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.

For the purpose of presenting these consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Exchange differences relating to the retranslation of the Group's net assets in US$ to the Group's presentation currency (i.e. RMB) are recognised directly in other comprehensive income and accumulated in translation reserve. Such exchange differences accumulated in the translation reserve are not reclassified to profit or loss subsequently.

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

3.2 Material accounting policy information (Continued)

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 for research and development activities are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss upon compliance with the attached conditions.

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”.

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

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/restricted ordinary shares/restricted share units granted to employees and others providing similar services

Equity-settled share-based payments to employees and others providing similar services 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.

When share options are exercised or the restricted ordinary shares/restricted share units are vested, 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 be transferred to accumulated losses.

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 these 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 the transaction does not give rise to equal taxable and deductible temporary differences.

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

3.2 Material accounting policy information (Continued)

Taxation (Continued)

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 differences 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.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises 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 tax 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)

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets 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.

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 internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

3.2 Material accounting policy information (Continued)

Intangible assets (Continued)

Internally-generated intangible assets – research and development expenditure (Continued)

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

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, intangible assets and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, intangible assets with finite useful lives and right-of-use assets to determine whether there is any indication that those 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, intangible assets and right-of-use 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-generated 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.

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.

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, intangible assets and right-of-use assets (Continued)

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 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 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.

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. 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.

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.

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

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 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, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

(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.

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)

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated losses.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

(iii) 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 excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses, net" line item.

Impairment of financial assets subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit losses ("ECL") model on financial assets (including other receivables and deposits, time deposits with original maturity over three months, restricted bank deposits and bank balances) 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 the reporting date as well as the forecast of future conditions.

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)

For all financial assets, 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.

(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, 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.

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.

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.

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)

(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.

(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; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(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, whichever occurs sooner. 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.

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 other 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.

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.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated losses.

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 substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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 (Continued)

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 JUDGMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTIES

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgment, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated 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 judgments in applying accounting policies

The following are the critical judgments, 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 these consolidated financial statements.

Research and development expenses

Research and development expenses incurred on the Group's drug product pipelines are capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, the Group's intention to complete and the Group's ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Research and development expenses which do not meet these criteria are expensed when incurred. Management assesses the progress of each of the research and development projects and determines whether the criteria are met for capitalisation. For the years ended December 31, 2022 and 2023, all research and development costs are expensed when incurred.

Key sources of estimation uncertainty

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.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTIES (Continued)

Key sources of estimation uncertainty (Continued)

Impairment assessment of intangible assets from in-license

Intangible assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether such intangible asset is impaired, the directors of the Company have to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicator that may affect the recoverable amount of such intangible asset; (2) whether the carrying amount of such intangible asset can be supported by the recoverable amount, in the case of value-in-use, the net present value of future cash flows which are estimated based upon the continued use of such intangible asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of such intangible asset, the directors of the Company estimate the recoverable amount of the cash generating unit to which such intangible asset belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating unit, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amount.

At December 31, 2023, the carrying amount of intangible assets from in-license is RMB267,018,000 (2022: RMB139,292,000). Details of the impairment assessment are disclosed in Note 18.

5. SEGMENT INFORMATION

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 as a whole prepared based on the same accounting policies as set out in Note 3. Accordingly, the Group has only one reportable segment and only entity-wide disclosures are presented.

Geographical information

As at December 31, 2023, the Group has total non-current assets (excluding financial instruments) of RMB273.0 million (2022: RMB169.0 million), among which, RMB191.2 million (2022: RMB139.3 million), RMB75.8 million (2022: nil) and RMB6.0 million (2022: RMB29.7 million) were located in Cayman Islands, the USA and the PRC, respectively.

All of the Group's revenue from external customers are located in the PRC.

6. REVENUE

In the current year, the Group's revenue derived from the sale of pharmaceutical products amounted to RMB617,000 (2022: RMB51,626,000). 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 discretion over the distribution and price to sell the goods and bear the risks of obsolescence and loss in relation to the goods. Payment of the transaction price is due immediately at the point the goods are delivered and transferred to the customer.

The pharmaceutical products sold during the years ended December 31, 2022 and 2023 were initially put into production solely for research and development purpose before applying for new drug application. However, the manufacturing process of these products was then validated by government authorities for the purpose of regulatory compliance. Following these regulatory approvals, the Group launched commercial sales for these products in July 2022. Since under the normal circumstance, these products could not be sold to external customers, the costs for these products were recorded as the Group's research and development expenses.

7. OTHER INCOME

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
Bank interest income	108,023	37,204
Government grants (note)	55,274	70,310
Others	431	343
	163,728	107,857

Note: Government grants include the incentive and other subsidies from the PRC government which are specifically for research and development activities and are recognised upon compliance with the attached conditions. In the current year, government grants of RMB50.0 million (2022: RMB67.1 million) were received. At December 31, 2023, government grants of RMB50.6 million (2022: RMB56.8 million) are recorded as deferred income and will be amortised upon compliance with the relevant conditions.

8. OTHER GAINS AND LOSSES

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
Gain on Qpex transaction (Note 15)	131,813	–
Fair value gain on financial assets at FVTPL	129,202	26,249
Fair value gain on money market funds	7,042	5,437
Net foreign exchange loss	(10,223)	(43,975)
Impairment loss recognised on intangible assets	(5,432)	–
	252,402	(12,289)

9. FINANCE COSTS

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
Interest on lease liabilities	494	851

10. LOSS BEFORE TAX

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
Loss before tax for the year has been arrived at after charging:		
Directors' emoluments (Note 12)	33,946	25,769
Other staff costs:		
– salaries and other benefits	200,288	161,141
– discretionary bonus (note)	12,637	26,310
– retirement benefit scheme contributions	7,852	6,655
– share-based payments	47,240	73,818
	268,017	267,924
	301,963	293,693
Depreciation of property, plant and equipment	5,228	5,228
Depreciation of right-of-use assets	8,685	8,685
Amortisation of intangible assets (included in research and development expenses)	1,761	3,119
Auditors' remuneration	1,906	1,896

Note: Discretionary bonus is determined based on their duties and responsibilities of the relevant individuals within the Group and the Group's performance.

11. INCOME TAX EXPENSE

The Company is incorporated in the Cayman Islands and has no assessable profits for both years.

Brii Bioscience, Inc. is subjected to federal tax rate at 21% and state income tax at rates ranging from 2.5% to 9.9% in the USA.

Brii Biosciences Pty Ltd. is subjected to income tax rate of 25% in the Australia.

Pursuant to the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

No provision for income tax expense has been made since the operating subsidiaries of the Company have no assessable profits for both years.

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:

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
Loss before tax	(184,370)	(489,781)
Income tax credit calculated at 25%	(46,093)	(122,445)
Tax effect of expenses not deductible for tax purpose	27,743	41,331
Tax effect of income not taxable for tax purpose	(65,208)	(18,506)
Tax effect of tax losses not recognised	88,438	72,811
Tax effect of deductible temporary differences not recognised	21,017	52,905
Effect of research and development expenses that are additionally deducted (note)	(29,762)	(29,238)
Effect of different tax rates of subsidiaries operating in other jurisdictions	3,865	3,142
	–	–

Note: Pursuant to Caishui 2018 circular No. 99, Brii Biosciences (Beijing) Co. Limited and TSB Therapeutics (Beijing) Co. Limited meet the requirement of super deduction of 175% on qualifying research and development expenditures for both years.

At December 31, 2023, the Group has unrecognised tax losses of RMB2,145.5 million (2022: RMB1,769.3 million). At December 31, 2023, the Group recognised the deferred tax assets related to lease liabilities of RMB789,000 (2022: RMB3,044,000) and deferred tax liabilities related to right-of-use assets of RMB789,000 (2022: RMB3,044,000) on a gross basis, which have been offset for the purpose of presentation in the consolidated statement of financial position. No deferred tax asset has been recognised in respect of the remaining tax losses due to the unpredictability of future profit streams. At December 31, 2023, unrecognised tax losses of RMB1,579.6 million (2022: RMB1,311.1 million) will expire from 2024 to 2028 (2022: 2023 to 2027), while other tax losses of RMB565.9 million (2022: RMB406.9 million) will be carried forward indefinitely.

12. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

Details of the emoluments paid or payable to the directors and the Chief Executive Officer of the Company (including emoluments for services as employees) for their service provided to the Group during the year, disclosed pursuant to the applicable Listing Rules and Hong Kong Company Ordinance, are as follows:

	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Share-based payments RMB'000	Discretionary bonus RMB'000 (note)	Total RMB'000
For the year ended December 31, 2023						
Executive directors:						
Dr. Zhi Hong (note i)	–	7,409	93	8,343	2,313	18,158
Mr. Ankang Li (note iv)	–	4,806	68	6,456	1,146	12,476
Non-executive director:						
Mr. Robert Taylor Nelsen	–	–	–	–	–	–
Independent non-executive directors:						
Dr. Martin J Murphy Jr	282	–	–	338	–	620
Ms. Grace Hui Tang	282	–	–	338	–	620
Mr. Yiu Wa Alec Tsui	282	–	–	338	–	620
Mr. Gregg Huber Alton	282	–	–	338	–	620
Dr. Taiyin Yang (note v)	–	–	–	832	–	832
	1,128	12,215	161	16,983	3,459	33,946
For the year ended December 31, 2022						
Executive directors:						
Dr. Zhi Hong (note i)	–	6,800	82	4,888	2,535	14,305
Mr. Ankang Li (note iv)	–	4,618	58	5,323	1,316	11,315
Mr. Yongqing Luo (note ii)	–	4,422	79	(9,021)	–	(4,520)
Non-executive directors:						
Mr. Robert Taylor Nelsen	–	–	–	–	–	–
Dr. Axel Bouchon (note iii)	673	–	–	–	–	673
Independent non-executive directors:						
Dr. Martin J Murphy Jr	269	–	–	653	–	922
Ms. Grace Hui Tang	269	–	–	653	–	922
Mr. Yiu Wa Alec Tsui	269	–	–	653	–	922
Mr. Gregg Huber Alton	269	–	–	653	–	922
Dr. Taiyin Yang (note v)	–	–	–	308	–	308
	1,749	15,840	219	4,110	3,851	25,769

12. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES (Continued)

Notes:

(i) Dr. Zhi Hong is the Chief Executive Officer and executive director of the Company.

(ii) Mr. Yongqing Luo resigned as executive director of the Company with effect from September 15, 2022.

(iii) Dr. Axel Bouchon resigned as non-executive director of the Company with effect from September 30, 2022.

(iv) Dr. Ankang Li was appointed as executive director of the Company on September 30, 2022.

(v) Dr. Taiyin Yang was appointed as independent non-executive director of the Company on September 30, 2022.

The executive directors' emoluments shown above were paid 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 paid 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.

Five Highest Paid Employees

The five individuals with the highest emoluments in the Group for the year ended December 31, 2023 include two (2022: two) directors of the Company, details of whose remuneration are set out as above. The emoluments of the remaining three (2022: three) highest paid individuals for the year ended December 31, 2023 are as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Salaries and other benefits	13,216	7,574
Discretionary bonus (note)	885	2,052
Retirement benefit scheme contributions	161	260
Share-based payments	9,413	15,456
Amounts as inducement for employees to join the Group	200	–
	23,875	25,342

Note: Discretionary bonus is determined based on their duties and responsibilities of the relevant individuals within the Group and the Group's performance.

12. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES (Continued)

Five Highest Paid Employees (Continued)

The emoluments of the five highest paid individuals (including directors) were within the following bands:

	Year ended December 31,	
	2023 No. of employees	2022 No. of employees
Hong Kong Dollars ("HK$") 8,500,001 to HK$9,000,000	3	1
HK$9,000,001 to HK$9,500,000	–	1
HK$11,000,001 to HK$11,500,000	–	1
HK$13,000,001 to HK$13,500,000	–	1
HK$13,500,001 to HK$14,000,000	1	–
HK$16,500,001 to HK$17,000,000	–	1
HK$20,000,001 to HK$20,500,000	1	–
	5	5

Certain directors and five highest paid employees were granted share options or restricted share units in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in Note 26.

Except for those disclosed in Note 12, no emoluments were paid by the Group to any director or any of the five highest paid employees of the Group as an inducement to join or upon joining the Group or as compensation for loss of office. None of the management of the Group and five highest paid employees of the Group has waived any emoluments during both years.

Except for those disclosed in Note 26, during the years ended December 31, 2022 and 2023, there are no other loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities. Also, 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 reporting periods or at any time during both years.

In addition, no director's termination benefit subsisted at the end of the year or at any time during the years ended December 31, 2022 and 2023. There are also no consideration provided to or receivable by third parties for making available director's services subsisted at the end of the year or at any time during the year ended December 31, 2022 and 2023.

13. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	Year ended December 31,	
	2023	2022
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share (RMB'000)	(174,829)	(484,312)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share ('000)	728,100	723,478

For the years ended December 31, 2022 and 2023, the weighted average number of ordinary shares for the purpose of basic and diluted loss per share excluded the unvested restricted share units of the Company, details of which are set out in Note 26.

The computation of diluted loss per share for the years ended December 31, 2022 and 2023 did not assume the exercise of share options and the vesting of unvested restricted share units since their assumed exercise and vesting would be anti-dilutive.

14. 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 subsequent to the end of the reporting period.

15. SIGNIFICANT TRANSACTIONS ENTERED DURING THE YEAR

Qpex Transactions

During the year ended December 31, 2023, the Group entered into definitive agreements with Qpex Biopharma, Inc. ("Qpex"), pursuant to which (a) the Company acquired the exclusive global rights for the development and commercialisation of BRII-693 (also known as QPX9003) from Qpex, expanding its existing rights to BRII-693 in Greater China, whereupon the Group's existing payment obligations of cost-share, milestone and royalty payments associated with BRII-693 to Qpex were eliminated, and (b) the Group returned to Qpex the exclusive rights to QPX7728-based products, i.e. BRII-636 and BRII-672, in Greater China it licensed from Qpex in 2019, whereupon the Group no longer be responsible for any cost-share, milestone and royalty payments associated with QPX7728-based products. Upon closing of the transaction, the Group received a consideration of US$8 million (equivalent to RMB56 million), with potential contingency payments depending on future milestone events in the United States. The fair value of the acquired ex-China rights for the development and commercialisation of BRII-693 amounted to RMB76 million is capitalised as the Group's in-license intangible asset.

15. SIGNIFICANT TRANSACTIONS ENTERED DURING THE YEAR (Continued)

Qpex Transactions (Continued)

The Group recognised a gain on the abovementioned transactions with Qpex amounted to RMB132 million in the Group's "other gains and losses" as set out in Note 8.

Furthermore, concurrent with the above, the Group entered into a share transfer agreement amongst Qpex, its shareholder and an independent third party, pursuant to which, all shareholders of Qpex including the Group agreed to sell the entire equity interest in Qpex to the independent third party. Upon completion of the Qpex merger through acquisition by the independent third party, the Group transferred the Group's entire equity interest in Qpex to the independent third party and the Group is entitled to a consideration of USD17,159,000 (equivalent to RMB123,990,000), among which USD16,264,000 (equivalent to RMB116,657,000) has been settled before December 31, 2023.

VBI Transactions

During the year ended December 31, 2023, the Group entered into license agreements with VBI Vaccines, Inc. ("VBI", a corporation whose stocks are listed on the NASDAQ Global Market (NASDAQ: VBIV)). Pursuant to the agreements and subject to the terms and conditions thereof, the Group acquired from VBI the exclusive global rights for the development and commercialisation of BRII-179 (VBI-2601), extending its exclusive license for BRII-179 (VBI-2601) from China, Hong Kong, Macau and Taiwan ("Greater China") to worldwide markets. Additionally, pursuant to the agreements and subject to the terms and conditions thereof, the Group acquired from VBI the exclusive rights to develop and commercialise PreHevbri® in Greater China and certain other Asia Pacific countries. In return, the Group is obligated to pay VBI an upfront license fee of US$7 million (equivalent to RMB50 million) and potential milestone payments for future development and commercialisation, as well as royalties based on future annual net sales. The fair value of the acquired rights in relation to BRII-179 and PreHevbri® amounted to RMB50 million is capitalised as the Group's in-license intangible assets. During the year ended December 31, 2023, the Group has fully paid the upfront license fee of US$7 million (equivalent to RMB50 million).

In addition, the Group entered into a supply agreement with VBI, pursuant to which and subject to the terms and conditions thereof, VBI will manufacture and supply BRII-179 (VBI-2601) or PreHevbri® to the Group and the Group will make an advance payment of US$5 million (equivalent to RMB35 million) to VBI. During the year ended December 31, 2023, the Group has fully paid the advance payment of US$5 million (equivalent to RMB35 million) and recognised as prepayments as set out in Note 21. Furthermore, subject to certain closing conditions, the Group invested US$3 million (equivalent to RMB20 million) equity investment in VBI and accounted for as financial assets at FVTOCI included in Note 20.

16. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
COST			
At January 1, 2022, December 31, 2022 and 2023	337	24,839	25,176
DEPRECIATION			
At January 1, 2022	168	12,435	12,603
Provided for the year	68	5,160	5,228
At December 31, 2022	236	17,595	17,831
Provided for the year	68	5,160	5,228
At December 31, 2023	304	22,755	23,059
CARRYING AMOUNTS			
At December 31, 2023	33	2,084	2,117
At December 31, 2022	101	7,244	7,345

The above items of property, plant and equipment are depreciated on a straight-line basis, after taking into account of the residual values, at the rate per annum as follows:

Furniture, fixtures and equipment	20%
Leasehold improvements	Shorter of the lease term or 20%

17. RIGHT-OF-USE ASSETS

	At December 31,	
	2023 RMB'000	2022 RMB'000
Carrying amount		
Properties	3,492	12,177

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
Depreciation for the year		
Properties	8,685	8,685
Expense relating to short-term leases	3,909	4,209
Total cash outflow for leases	13,903	14,020

For both years, the Group leases various office for its operations. Lease contracts are entered into for fixed term of 36 months to 60 months. Lease terms are negotiated on an individual basis and contain 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 motor vehicles and offices. 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.

Restrictions or covenants on leases

In addition, lease liabilities of RMB3,156,000 are recognised with related right-of-use assets of RMB3,492,000 at December 31, 2023 (2022: lease liabilities of RMB12,656,000 are recognised with related right-of-use assets of RMB12,177,000). 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.

18. INTANGIBLE ASSETS

	Technical know-how and patent RMB'000	Software RMB'000	In-license RMB'000	Total RMB'000
COST				
At January 1, 2022	13,580	–	–	13,580
Additions	–	1,208	139,292	140,500
At December 31, 2022	13,580	1,208	139,292	154,080
Exchange adjustments	–	–	1,621	1,621
Additions (Note 15)	–	–	126,105	126,105
At December 31, 2023	13,580	1,208	267,018	281,806
AMORTISATION AND IMPAIRMENT				
At January 1, 2022	4,074	–	–	4,074
Charge for the year	2,716	403	–	3,119
At December 31, 2022	6,790	403	–	7,193
Charge for the year	1,358	403	–	1,761
Impairment loss recognised in profit or loss included in other gains and losses	5,432	–	–	5,432
At December 31, 2023	13,580	806	–	14,386
CARRYING VALUES				
At December 31, 2023	–	402	267,018	267,420
At December 31, 2022	6,790	805	139,292	146,887

During the year ended December 31, 2022, the Group capitalised the option exercise fee from the in-license arrangements with an independent third party partners amounted to USD20,000,000 (equivalent to RMB139,292,000).

At December 31, 2022 and 2023, these in-license capitalised as intangible assets relates to licenses which is in the progress of research and development and thus it has yet to commence amortisation.

18. INTANGIBLE ASSETS (Continued)

Other than those in-license, the other intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Technical know-how and patent	5 years
Software	3 years

The useful lives of the technical know-how and patent, and in-license were determined by the management of the Group taking into account the period over which they are expected to be available for use by the Group and the stability of the industry.

In 2023, in view that the management of the Group has decided to discontinue a research and development program and no revenue is expected in the future from the commercialisation, the directors of the Company have performed impairment assessment of the related technical know-how and patent and consequently determined an impairment of the technical know-how and patent amounting to RMB5,432,000 (2022: nil). The impairment loss has been included in profit or loss in the other gains and losses line item.

In-license, which is intangible asset not yet ready for use, is tested for impairment annually based on the recoverable amount of the cash-generating unit to which the intangible asset is related. The appropriate cash-generating unit is at the product level. Impairment testing on the in-license of the Group was conducted by the management. For the purpose of impairment testing, the recoverable amount of the cash-generating unit is determined based on its fair value, calculated by using the discounted cash flow approach, less costs of disposal. The management determined the recoverable amount of the cash-generating unit based on the following approach and key assumptions:

- The cash-generating units will generate cash inflows starting from the expected date of obtaining regulatory approval, and up to the end of the intellectual property expiry date;
- The cash flow projections are made based on financial budgets prepared by the management till peak year, considering the timing of clinical development and regulatory approval of relevant products. Cash flows beyond peak year are projected at a steady decline rate;
- The probability of success was estimated by the management based on the industrial historical statistics;
- The pre-tax discount rate used is 15% per annum, which reflects specific risks relating to the relevant products that would be considered by market participants.

Based on the result of the in-license impairment testing, the estimated recoverable amount of the cash-generating unit exceeded its carrying amount at December 31, 2022 and 2023. Thus, no impairment is noted. The management believes that no reasonably possible change in any of these assumptions would result in an impairment.

19. FINANCIAL ASSETS AT FVTPL

	At December 31, 2023 RMB'000	At December 31, 2022 RMB'000
Listed equity investments	134,560	69,590
Unlisted equity investments	–	70,204
	134,560	139,794

At December 31, 2023, financial assets at FVTPL represents investments in a listed entity (at December 31, 2022: a listed entity and two unlisted equity investments in convertible redeemable preferred shares and ordinary shares) in the USA focusing on infectious diseases. In June 2023, the Group entered into a share transfer agreement amongst Qpex, its shareholder and an independent third party, pursuant to which, all shareholders of Qpex including the Group agreed to sell the entire equity interest in Qpex to the independent third party. In relation to the Group's equity interest shareholding, the Group is entitled to receive a consideration of USD17,159,000 (equivalent to RMB123,990,000), among which of USD16,264,000 (equivalent to RMB116,657,000) has been settled in September 2023. The fair value of these financial assets at FVTPL is established by using valuation techniques as disclosed in Note 29(c).

20. EQUITY INSTRUMENT AT FVTOCI

	At December 31, 2023 RMB'000	At December 31, 2022 RMB'000
Listed:		
– Equity securities	7,884	6,234

The amount represents a listed equity investment in a biopharmaceutical company listed on the NASDAQ Global Market. The investment is not held for trading purposes, instead, it is held for long-term strategic purposes. The directors of the Company have elected to designate the investment in equity instrument at FVTOCI as they believe that recognising short-term fluctuations in the investment's fair value in profit or loss would not be consistent with the Group's strategy of holding the investment for long-term purposes and realising its performance potential in the long run. The fair value of the listed equity investment is measured based on quoted market price.

21. RENTAL DEPOSITS/DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At December 31,	
	2023 RMB'000	2022 RMB'000
Prepayments	47,685	19,589
Rental and other deposits	2,613	2,842
Value-added tax recoverable	53,607	46,172
Interests receivable	9,850	8,785
Other receivables	7,633	2,765
	121,388	80,153
Analysed as:		
Non-current	–	2,513
Current	121,388	77,640
	121,388	80,153

22. RESTRICTED BANK DEPOSITS/TIME DEPOSITS WITH ORIGINAL MATURITY OVER THREE MONTHS/CASH AND CASH EQUIVALENTS

At December 31, 2023, restricted bank deposits represent bank deposits which are restricted for credit facilities and carry fixed rate interests at 0.01% (2022: 0.01%) per annum.

At December 31, 2023, time deposits with original maturity over three months from the date of placement carry fixed rate interest ranging from 2.10% to 5.35% (2022: 4.70% to 5.09%) per annum. These time deposits will mature within 12 months.

Cash and cash equivalents comprise cash held by the Group, short-term bank deposits with original maturity of three months or less and low volatility net assets value money market funds. At December 31, 2023, the short-term bank deposits and bank balances carry interests at market rates ranging from 0.01% to 0.20% (2022: from 0.05% to 1.70%) per annum.

At December 31, 2023, the low volatility net asset value money market funds are measured at fair value of RMB369,424,000 (2022: RMB287,623,000).

23. OTHER PAYABLES

	At December 31, 2023 RMB'000	At December 31, 2022 RMB'000
Payables for research and development expenses	20,539	113,531
Other payables for		
– legal and professional fee	1,901	2,225
– others	1,436	1,059
Other tax payables	2,011	1,861
Payroll payables	34,696	31,721
Accrued research and development expenses	11,498	3,397
Accrued issue costs	–	11,143
	72,081	164,937

The average credit period for purchases of goods/services of the Group is normally within 30 days. Ageing analysis of the Group's payables for research and development expenses based on the invoice dates at the end of the reporting period is as follows:

	At December 31, 2023 RMB'000	At December 31, 2022 RMB'000
0-30 days	15,186	12,285
31-60 days	4,059	5,883
61-90 days	1,125	2,958
Over 90 days	169	92,405
	20,539	113,531

24. LEASE LIABILITIES

	At December 31, 2023 RMB'000	At December 31, 2022 RMB'000
Lease liabilities payable:		
Within one year	3,156	9,500
Within a period of more than one year but not more than two years	–	3,156
	3,156	12,656
Less: Amount due for settlement with 12 months shown under current liabilities	(3,156)	(9,500)
Amount due for settlement after 12 months shown under non-current liabilities	–	3,156

The weighted average incremental borrowing rate applied to lease liabilities is at 4.75% per annum at December 31, 2022 and 2023.

25. SHARE CAPITAL

	Number of Ordinary Shares	Share capital US$
Ordinary shares		
Ordinary shares of US$0.000005 each		
Authorised		
At January 1, 2022, December 31, 2022 and December 31, 2023	1,200,000,000	6,000

	Ordinary Shares		
	Number of shares	Amount US$	Equivalent amount of ordinary shares RMB'000
Issued and fully paid			
At January 1, 2022	720,292,216	3,602	23
Issuance of ordinary shares in relation to exercise of share options (Note 26)	6,491,945	32	1
Issuance of ordinary shares in relation to vesting of restricted share units (Note 26)	491,286	2	-*
Repurchase and cancellation of ordinary shares (Note)	(72,500)	-*	-*
At December 31, 2022	727,202,947	3,636	24
Issuance of ordinary shares in relation to exercise of share options (Note 26)	331,949	2	-*
Issuance of ordinary shares in relation to vesting of restricted share units (Note 26)	1,850,550	9	-*
At December 31, 2023	729,385,446	3,647	24

* Less than USD1 or RMB1,000

Note: During the year ended December 31, 2022, upon the resignation of the Company's employees whom were granted with restricted ordinary shares, the Company repurchased and cancelled 72,500 shares, representing the unvested portion of the restricted ordinary shares, held by the employees with a reduction of the Company's treasury shares and share capital of RMB1.

26. SHARE-BASED PAYMENT TRANSACTIONS

Restricted ordinary shares

On June 19, 2018, the Company, for the purpose of providing incentive and motivate the key management of the Group, issued 12,600,000 time-based restricted ordinary shares (before Share Subdivision) and 3,500,000 milestone-based restricted ordinary shares (before Share Subdivision) to a director and 6,525,000 time-based restricted ordinary shares (before Share Subdivision) to key management of the Group (collectively referred to as "Restricted Person") at a total consideration of approximately RMB1,000 (at US$0.00001 per share before Share Subdivision).

The total expenses recognised in the consolidated statement of profit or loss and other comprehensive income for the restricted ordinary shares granted are nil (2022: RMB1,654,000) for the year ended December 31, 2023.

During the year ended December 31, 2022, except for 72,500 restricted ordinary shares were repurchased and cancelled by the Company, the remaining restricted ordinary shares has been fully vested.

Post-IPO Share Award Scheme

On June 22, 2021, a Post-IPO share award scheme (the "Post-IPO Share Award Scheme") was approved and adopted pursuant to a board resolution passed. The directors of the Company may, from time to time, at its absolute discretion to make an offer of a share award (consisting of either restricted shares or restricted share units (the "RSUs")) to an eligible person in accordance with the Post-IPO Share Award Scheme. The overall limit on the number of RSUs under the Post-IPO Share Award Scheme is 35,310,046 shares and the maximum number of shares which may be awarded to any eligible person under the Post-IPO Share Award Scheme shall not exceed 5% of the issued share capital of the Company at July 13, 2021.

The vesting of the Post-IPO RSUs granted is subjected 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 Share Award Scheme. RSUs granted under the Post-IPO Share Award Scheme consists of time-based RSUs and milestone-based RSU, and shall have a contractual term of 10 years. The time-based RSUs shall have the vesting periods for different batches as follows:

(i) One fourth (25%) of the RSUs shall vest each time on the first, second, third and fourth anniversary of the vesting commencement date.

(ii) Five percent (5%), ten percent (10%), forty percent (40%) and forty-five percent (45%) of the RSUs shall vest each time on the first, second, third and fourth anniversary of the vesting commencement date.

(iii) One third (33.3%) of the RSUs shall vest each time on the first, second and third anniversary of the vesting commencement date.

(iv) All of the RSUs shall vest on the first anniversary of the vesting commencement date.

The expected vesting period of milestone RSUs is estimated by directors of the Company based on the most likely outcome of each of the performance condition.

26. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Post-IPO Share Award Scheme (Continued)

The grantee may not have any interest or right in the RSUs granted until such Post-IPO RSUs have been vested.

A share award shall be personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest in favour of or enter into any agreement with any other person over or in relation to such share award (or, prior to vesting of a restricted share award, the shares subject thereto).

In the current year, the Group issued 3,566,000 (2022: 15,398,250) Post-IPO RSUs to directors of the Company and employees of the Group under the Post-IPO Share Award Scheme. The fair values of the Post-IPO RSUs determined at the dates of grant are measured on the basis of an observable market price (i.e. the Company's closing share price) ranges from HK$2.79 to HK$4.54 per Post-IPO RSU.

At April 12, 2023, the directors of the Company conducted an overall assessment of the Group's pipeline programs and considered that certain of the pre-determined research and development activities and commercial milestones cannot or can no longer be fulfilled. Therefore, the directors of the Company decided to cancel a total of 3,260,084 Post-IPO Share Options (as defined below) and 739,483 RSUs granted to certain senior management members of the Company in accordance with the terms of the Post-IPO Share Award Scheme and the relevant grant letters. In view that the management of the Group considers that these milestones cannot or can no longer be fulfilled, these cancelled Post-IPO Share Options and RSUs are considered as lapsed.

The following table summarised the Group's Post-IPO RSUs and movement during the reporting period.

	Number of Post-IPO RSUs
At January 1, 2022	–
Granted	15,398,250
Vested	(547,286)
Forfeited	(1,559,351)
At December 31, 2022	13,291,613
Granted	3,566,000
Vested	(2,255,729)
Lapsed	(739,483)
Forfeited	(2,888,858)
At December 31, 2023	**10,973,543**

The total expenses recognised in the consolidated statement of profit or loss and other comprehensive income for Post-IPO RSUs granted are RMB23,528,000 (2022: RMB41,998,000) for the year ended December 31, 2023.

26. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme of the Company

The Company's pre-IPO share incentive plan (the "Incentive Plan") was adopted pursuant to a resolution passed on October 30, 2018. The primary purpose of the Incentive Plan is to promote the success of the Company and the interests of its shareholders by providing a mean through which the Company may grant equity-based incentives to attract, motivate, retain and reward employees, directors and consultants (the "Eligible Persons") and to further link the Eligible Persons' interests with those of the Company's shareholders generally.

The Incentive Plan provides for the grant of the following types of share awards: (i) share options, (ii) share appreciation rights, (iii) restricted share awards and (iv) other share awards. The directors of the Company approved up to 3,408,251 Class B non-voting ordinary shares (before share subdivision) of the Company, in which share awards may be granted under the Incentive Plan. On February 19, 2021, resolution was passed by the board of directors of the Company to increase the capacity of the Incentive Plan to 17,908,251 Class B non-voting ordinary shares (before Share Subdivision).

On June 22, 2021, the Company underwent a share subdivision whereby each issued and unissued share of par value US$0.00001 each in the Company's authorised share capital was subdivided into two shares of US$0.000005 par value each. Each option was subdivided into two options.

To enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group, on June 22, 2021, the resolutions conditionally adopted the Post-IPO Share Option Scheme was passed in writing of all shareholders of the Company. The Post-IPO Share Option Scheme provides for the grant of share options.

2023 share award scheme and share option scheme

On August 21, 2023, 2023 share award scheme (the "2023 Share Award Scheme") and 2023 share option scheme (the "2023 Share Option Scheme") was approved and adopted pursuant to a board resolution passed. The primary purpose of both incentive plans is to attract and retain eligible persons whose contributions are important to the long-term growth and success of the Company, to recognise and reward eligible persons for their past contribution to the Company, to provide eligible persons with the opportunity to acquire proprietary interests in the Company and to encourage eligible persons to further contribute to the Company and work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

Set out below are details of the movements of the outstanding options granted under the Incentive Plan, the Post-IPO Share Option Scheme, 2023 Share Award Scheme and 2023 Share Option Scheme during the reporting period:

26. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme of the Company (Continued)

For the year ended December 31, 2023

Option	Type of grantee	Date of grant	Vesting period	Exercisable period	Exercise price	Outstanding at 1.1.2023	Granted during the year	Exercised during the year	Lapsed during the year	Forfeited during the year	Outstanding at 31.12.2023
Time-based											
Option A	Consultants and employees	30.10.2018	Note i	Note iii	US$0.035	1,274,000	–	(289,000)	–	–	985,000
Option B	Consultants and employees	3.4.2019 – 16.9.2019	Note i	Note iii	US$0.05	594,676	–	(19,831)	–	(845)	574,000
Option C	Employees	4.2.2020 – 11.12.2020	Note i	Note iii	US$0.13 – US$0.68	12,685,146	–	(23,118)	–	(510,960)	12,151,068
Option D	Consultants and employees	18.2.2021 – 3.12.2021	Note i	Note iii	US$0.68 – US$1.33	4,152,141	–	–	–	(693,816)	3,458,325
Option E	Employees	29.3.2022 – 15.12.2022	Note i	Note iii	HK$43.41 – HK$47.60 HK$6.454 – HK$10.33	27,905,500	–	–	–	(5,611,250)	22,294,250
Option I	Employees	12.4.2023 – 23.8.2023	Note i	Note iii	HK$3.01 – HK$4.54	–	15,255,500	–	–	(1,807,500)	13,448,000
Sub-total						46,611,463	15,255,500	(331,949)	–	(8,624,371)	52,910,643
Milestone-based											
Option F	Employees	18.9.2020	Note ii	Note iii	US$0.13 – US$0.68	5,200,000	–	–	–	–	5,200,000
Option G	Employees	4.6.2021 – 3.12.2021	Note ii	Note iii	US$1.06	7,870,000	–	–	(3,169,251)	(1,074,333)	3,626,416
Option H	Employees	29.3.2022 – 21.9.2022	Note ii	Note iii	HK$43.41 – HK$47.60 HK$6.454 – HK$10.33	1,347,000	–	–	(90,833)	–	1,256,167
Sub-total						14,417,000	–	–	(3,260,084)	(1,074,333)	10,082,583
Total						61,028,463	15,255,500	(331,949)	(3,260,084)	(9,698,704)	62,993,226
Exercisable at the end of the year											20,530,951
Weighted average exercise price						US$1.70	US$0.43	US$0.06	US$5.92	US$2.71	US$1.28

26. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme of the Company (Continued)

For the year ended December 31, 2022

Option	Type of grantee	Date of grant	Vesting period	Exercisable period	Exercise price	Outstanding at 1.1.2022	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31.12.2022
Time-based										
Option A	Consultants and employees	30.10.2018	Note i	Note iii	US$0.035	2,400,000	–	(1,040,406)	(85,594)	1,274,000
Option B	Consultants and employees	3.4.2019 – 16.9.2019	Note i	Note iii	US$0.05	828,666	–	(217,834)	(16,156)	594,676
Option C	Employees	4.2.2020 – 11.12.2020	Note i	Note iii	US$0.13 – US$0.68	21,876,984	–	(4,961,711)	(4,230,127)	12,685,146
Option D	Consultants and employees	18.2.2021 – 3.12.2021	Note i	Note iii	US$0.68 – US$1.33	5,804,800	–	(271,994)	(1,380,665)	4,152,141
Option E	Consultants and employees	29.3.2022 – 15.12.2022	Note i	Note iii	HK$43.41 – HK$47.60 HK$6.454 – HK$10.33	–	28,779,500	–	(874,000)	27,905,500
Sub-total						30,910,450	28,779,500	(6,491,945)	(6,586,542)	46,611,463
Milestone-based										
Option F	Employees	18.9.2020	Note ii	Note iii	US$0.13 – US$0.68	5,200,000	–	–	–	5,200,000
Option G	Employees	4.6.2021 – 3.12.2021	Note ii	Note iii	US$1.06	10,838,500	–	–	(2,968,500)	7,870,000
Option H	Employees	29.3.2022 – 21.9.2022	Note ii	Note iii	HK$43.41 – HK$47.60 HK$6.454 – HK$10.33	–	1,347,000	–	–	1,347,000
Sub-total						16,038,500	1,347,000	–	(2,968,500)	14,417,000
Total						46,948,950	30,126,500	(6,491,945)	(9,555,042)	61,028,463
Exercisable at the end of the year										12,553,945
Weighted average exercise price						US$2.18	US$0.96	US$0.17	US$2.70	US$1.70

26. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme of the Company (Continued)

Notes:

(i) The share options were granted to employees of the Group or consultants who are in contractual agreements with the Group in providing services similar to those rendered by the Group's employees. The vesting is based on the vesting schedules within the vesting period of 1 – 4 years.

(ii) The milestone-based share options are vested conditionally upon the achievement of specified performance targets milestones. The expected vesting period is estimated by the directors of the Company based on the most likely outcome of the performance conditions.

(iii) Each vested option is exercisable during a period from and including the vesting date of the relevant option to the tenth anniversary of grant date of the option.

The fair value of the options granted during the reporting period was determined using the Binominal Tree model. These fair values and corresponding inputs into the model were as follows:

For the year ended December 31, 2023

Option Granted	Grant date option fair value per share	Exercise price	Expected volatility	Expected life	Risk-free rate	Expected dividend yield	Fair value at grant date
Option I	HK$1.48 – HK$2.70	HK$3.01 – HK$4.54	66.69% – 66.85%	10 years	3.00% – 4.05%	0%	HK$27,542,778

For the year ended December 31, 2022

Option Granted	Grant date option fair value per share	Exercise price	Expected volatility	Expected life	Risk-free rate	Expected dividend yield	Fair value at grant date
Option E	HK$2.92 – HK$5.54	HK$6.454 – HK$10.33	65.08%-66.69%	10 years	2.24% – 3.33%	0%	HK$108,509,000
Option H	HK$2.90 – HK$5.19	HK$6.454 – HK$10.33	65.08%-65.42%	10 years	2.24% – 3.33%	0%	HK$4,554,000

The directors of the Company estimated the risk-free interest rate based on the yield of the United States Treasury Bonds with a maturity life close to the option life of the share option. Volatility was estimated at 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. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The total expenses recognised in the consolidated statement of profit or loss and other comprehensive income for the Equity-settled share option granted are RMB40,695,000 (2022: RMB34,276,000) for the year ended December 31, 2023.

27. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The remuneration of the directors of the Company and other members of key management of the Group during the year were as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Short term benefits	38,595	37,838
Discretionary bonus (note)	7,041	10,732
Post-employment benefits	808	884
Share-based payments	32,485	25,958
	78,929	75,412

Note: Discretionary bonus is determined based on their duties and responsibilities of the relevant individuals within the Group and the Group's performance.

28. 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 investors through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts, which includes lease liabilities disclosed in Note 24, net of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital and reserves.

The management of the Group reviews the capital structure regularly. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendation of the management of the Group, the Group will balance its overall capital structure through the new share issues as well as the issue of new debt.

29. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	At December 31,	
	2023	2022
	RMB'000	RMB'000
Financial assets		
Financial assets at FVTPL	134,560	139,794
Equity instrument at FVTOCI	7,884	6,234
Cash equivalents at FVTPL	369,424	287,623
Amortised cost	2,312,062	2,726,027

	At December 31,	
	2023	2022
	RMB'000	RMB'000
Financial liabilities		
Amortised cost	23,876	116,815

(b) Financial risk management objectives and policies

The Group's major financial assets and liabilities include deposits and other receivables, financial assets at FVTPL, equity instrument at FVTOCI, restricted bank deposits, time deposits with original maturity over three months, cash and cash equivalents and other payables. Details of these financial assets and liabilities are disclosed in respective notes.

The risks associated with these financial assets and liabilities include market risks (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risks

The Group's activities expose it primarily to currency risk, interest rate risk and other price risk. There has been no change in the Group's exposure to these risks or the manner in which it manages and measures the risks.

29. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risks (Continued)

(i) Currency risk

Certain bank balances and cash and other payables in foreign currencies of respective group entities which are exposed to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the group entities' foreign currency denominated monetary assets and liabilities at the end of each reporting period are mainly as follows:

	At December 31,	
	2023 RMB'000	2022 RMB'000
Assets		
HK$	1,142,246	1,076,668
RMB	433,124	596,042
US$	183,645	176,291
Liabilities		
HK$	–	133
US$	4,894	9,722

29. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risks (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in the group entities' relevant functional currencies against the relevant foreign currencies 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel. 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 rate. A positive number below indicates an increase in loss for the year where the group entities' relevant functional currencies strengthen 5% against the relevant foreign currencies. For a 5% weakening of the group entities' relevant functional currencies against the relevant foreign currencies, there would be an equal and opposite impact on the loss for the year.

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Impact on profit or loss		
HK$	(57,112)	(29,802)
RMB	(21,656)	(53,833)
US$	(8,938)	(8,328)

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.

29. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risks (Continued)

(ii) Interest rate risk

The Group is primarily exposed to fair value interest rate risk in relation to lease liabilities, restricted bank deposits and time deposits. The Group currently does not have an interest rate hedging policy to mitigate interest rate risk; nevertheless, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances. The directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant, therefore no sensitivity analysis on such risk has been prepared.

(iii) Other price risk

The Group is exposed to other price risk arising from listed equity investment at FVTOCI, equity investments at FVTPL and money market funds at FVTPL.

Sensitivity analysis

Listed equity investment at FVTOCI

The sensitivity analyses below have been determined based on the exposure to equity price risk at each reporting date for listed equity investment at FVTOCI.

If the equity value of the common shares of the investments at FVTOCI had been changed based on the 5% higher/lower, the other comprehensive income would increase/decrease by approximately RMB394,000 (2022: RMB312,000) for the year ended December 31, 2023.

Equity investments at FVTPL

The sensitivity analyses below have been determined based on the exposure to equity price risk at each reporting date for equity investments at FVTPL.

If the equity value of the common shares of the investments at FVTPL had been changed based on the 5% higher/lower, the loss for the year would decrease/increase by approximately RMB6,728,000 (2022: RMB6,990,000) for the year ended December 31, 2023.

Money market funds

No sensitivity analysis is performed as the directors of the Company consider that the exposure of other price risk arising from the money market funds is insignificant because investments in money market funds are mainly on government treasury securities with high credit rating and liquidity.

29. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

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 categories 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. 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.

The Group's current credit risk grading framework comprises the following categories:

Category	**Description**	**Financial assets**
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime 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 written off

29. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount At December 31, 2023	
					2023	2022
					RMB'000	RMB'000
Financial assets at amortised cost						
Deposits and other receivables	21	N/A	Low risk	12m ECL	20,096	14,391
Restricted bank deposits	22	Aa3	N/A	12m ECL	729	1,875
Time deposits with original maturity over three months	22	Aaa	N/A	12m ECL	2,171,011	1,806,812
Bank balances	22	Aa3 to Aaa	N/A	12m ECL	120,226	902,949
					2,312,062	2,726,027

29. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

For the purpose of impairment assessment for other receivables and deposits, 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 financial positions of the counterparties in estimating the probability of default of each of other receivables and deposits, 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 12m ECL allowance is insignificant.

The credit risk on restricted bank deposits, time deposits with original maturity over three months and bank balances is limited because the counterparties are reputable banks and financial institutions with high credit ratings assigned by international credit rating agencies. The management is of the opinion that the loss rate is insignificant and no impairment was provided at the end of the reporting period.

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 the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

29. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	Weighted average effective interest rate %	Within 1 year or on demand RMB'000	1 to 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
At December 31, 2023					
Other payables	–	23,876	–	23,876	23,876
Lease liabilities	4.75	3,235	–	3,235	3,156
Total		27,111	–	27,111	27,032
At December 31, 2022					
Other payables	–	116,815	–	116,815	116,815
Lease liabilities	4.75	9,897	3,235	13,132	12,656
Total		126,712	3,235	129,947	129,471

(c) Fair value measurements of financial instruments

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. The Chief Strategy and Financial Officer of the Company determines the appropriate valuation techniques and inputs for fair value measurements. 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 Chief Strategy and Financial Officer establishes the appropriate valuation techniques and inputs to the model and reports any findings to the directors of the Company.

29. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

(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 and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Notes	Fair value at 2023 RMB'000	Fair value at 2022 RMB'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
Listed equity investments at FVTOCI	20	7,884	6,234	Level 1	Active market quoted transaction price (2022: Active market quoted transaction price)	N/A
Listed equity investment at FVTPL	19	134,560	69,590	Level 1	Active market quoted transaction price (2022: Active market quoted transaction price)	N/A
Unlisted equity investment at FVTPL	19	-	3,833	Level 2	N/A (2022: Recent transaction price)	N/A
Unlisted equity investment at FVTPL	19	-	66,371	Level 3	N/A (2022: Market comparison approach in this approach, fair value was determined with reference to Price to R&D ("P/R&D") multiple	N/A (2022: Discount rate of 31% and P/R&D multiple of 0.85)
Money market funds	22	369,424	287,623	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	N/A

29. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

(ii) Reconciliation of Level 3 fair value measurements

	Unlisted equity investment RMB'000
At January 1, 2022	60,759
Unrealised fair value gain in profit or loss	5,612
At December 31, 2022	66,371
Exchange realignment	2,489
Transfer out of Level 3 due to change of valuation technique (Note)	(68,860)
At December 31, 2023	–

Note: Due to the recent transactions of the investment, the valuation method has been changed. Further details are set out in Note 15.

(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 these consolidated financial statements approximate to their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

30. RETIREMENT BENEFIT PLANS

The subsidiary in the USA maintains multiple qualified contributory savings plans as allowed under Section 401(k) of the Internal Revenue Code in the USA. These plans are defined contribution plans covering substantially all its qualifying employees and provide for voluntary contributions by employees, subject to certain limits. The contributions are made by both the employees and the employer. The employees' contributions are primarily based on specified dollar amounts or percentages of employee compensation. The only obligation of the subsidiary in the USA with respect to the retirement benefits plans is to make the specified contributions under the plans.

The employees of the Company's subsidiaries in the PRC are members of the state-sponsored retirement benefit scheme organised by the relevant local government authority in the PRC. The subsidiary is 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 or plans in the USA and the PRC and charged to profit or loss are RMB8,013,000 (2022: RMB6,922,000) for the year ended December 31, 2023.

31. PARTICULARS OF SUBSIDIARIES

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below.

Name of subsidiaries	Place and date of establishment/ incorporation/ operation	Issued and fully paid share/ registered capital	Equity interest attributable to the Group At December 31, 2023	2022	Principal activities
Brii Biosciences Offshore Limited	Cayman Islands May 23, 2018	US$1	100%	100%	Investment holding
Brii Biosciences, Inc.	USA December 5, 2017	US$1	100%	100%	Research and development on pharmaceutical products
Brii Biosciences (Hong Kong) Co. Limited	Hong Kong December 18, 2017	US$1	100%	100%	Investment holding
Brii Biosciences Pty Ltd.	Australia March 28, 2023	AUD100	100%	100%	Research and development on pharmaceutical products
Brii Biosciences (Beijing) Co. Limited* 騰盛博药醫藥技術(北京)有限公司	PRC (note) August 21, 2018	US$153,470,020	100%	100%	Research and development on Pharmaceutical products
Brii Biosciences (Shanghai) Co. Limited* 騰盛博药醫藥技術(上海)有限公司	PRC (note) April 19, 2018	US$8,999,980	100%	100%	Research and development on Pharmaceutical products
TSB Therapeutics (Beijing) Co. Limited* ("TSB Therapeutics") 騰盛華創醫藥技術(北京)有限公司	PRC (note) May 26, 2020	RMB49,876,597	72.77%	72.77%	Research and development on Pharmaceutical products

* English name is for identification purpose only.

None of the subsidiaries has issued any debt securities at December 31, 2022 and 2023.

Note: 騰盛博药醫藥技術(北京)有限公司 and 騰盛博药醫藥技術(上海)有限公司 are foreign invested limited liability companies. TSB Therapeutics is a domestic owned limited liability company.

32. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of non-wholly-owned a subsidiary of the Group that has material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests At December 31,		Loss allocated to non-controlling interests At December 31,		Accumulated non-controlling interests At December 31,	
		2023	2022	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
TSB Therapeutics	PRC	27.23%	27.23%	(9,541)	(5,469)	(46,658)	(37,117)

Summarised financial information in respect of TSB Therapeutics is set out below. The summarised financial information below represents amounts before intragroup eliminations.

TSB Therapeutics	At December 31, 2023 RMB'000	2022 RMB'000
Current assets	43,050	72,610
Non-current assets	–	6,790
Current liabilities	(2,016)	(82,447)
Non-current liabilities	(212,381)	(133,262)
Equity attributable to owners of the Company	(124,689)	(99,192)
Non-controlling interests of TSB Therapeutics	(46,658)	(37,117)

	Year ended December 31, 2023 RMB'000	2022 RMB'000
Expenses	(35,040)	(20,084)
Loss and total comprehensive expense for the year	(35,040)	(20,084)
Loss and total comprehensive expense attributable to owners of the Company	(25,499)	(14,615)
Loss and total comprehensive expense attributable to the non-controlling interests of TSB Therapeutics	(9,541)	(5,469)
Net cash outflow from operating activities	(97,296)	(48,946)
Net cash inflow from investing activities	84	73
Net cash inflow from financing activities	68,000	68,983
Net cash (outflow) inflow	(29,212)	20,110

33. 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.

	Accrued issue costs RMB'000	Lease liabilities RMB'000	Total RMB'000
At January 1, 2022	10,201	21,616	31,817
Financing cash flows	–	(9,811)	(9,811)
Interest expenses recognised	–	851	851
Exchange adjustments	942	–	942
At December 31, 2022	11,143	12,656	23,799
Financing cash flows	–	(9,994)	(9,994)
Interest expenses recognised	–	494	494
Reversal of accrued issue costs	(11,332)	–	(11,332)
Exchange adjustments	189	–	189
At December 31, 2023	–	3,156	3,156

34. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	At December 31, 2023 RMB'000	2022 RMB'000
Non-current assets		
Investment in subsidiaries	423,665	1,778,126
Intangible assets	191,233	139,292
Financial assets at FVTPL	134,560	73,423
Equity instrument at FVTOCI	7,884	6,234
Loan to a subsidiary	309,339	112,835
	1,066,681	2,109,910
Current assets		
Other receivables	42,704	11,515
Restricted bank deposits	375	1,527
Time deposits with original maturity over three months	2,008,204	1,806,812
Cash and cash equivalents	85,510	890,814
	2,136,793	2,710,668
Current liabilities		
Other payables	12,047	12,469
Amounts due to subsidiaries	119,045	20,479
	131,092	32,948
Net current assets	2,005,701	2,677,720
Total assets less current liabilities and net assets	3,072,382	4,787,630
Capital and reserves		
Share capital	24	24
Share premium and reserves	3,072,358	4,787,606
Total equity	3,072,382	4,787,630

34. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

The movements of the reserves of the Company are as follows:

	Treasury shares held in trust RMB'000	Share premium RMB'000	Investments revaluation reserve RMB'000	Translation reserve RMB'000	Share-based payment reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At January 1, 2022	–	9,317,066	12,457	(26,740)	101,046	(4,654,550)	4,749,279
Loss for the year	–	–	–	–	–	(375,745)	(375,745)
Other comprehensive (expense) income	–	–	(30,110)	359,486	–	–	329,376
Total comprehensive (expense) income for the year	–	–	(30,110)	359,486	–	(375,745)	(46,369)
Repurchase of shares by trust and converted into treasury shares held in trust	–*	(678)	–	–	–	–	(678)
Recognition of equity-settled share-based payments (Note 26)	–	–	–	–	77,928	–	77,928
Vesting of restricted ordinary shares and restricted share units	–*	7,933	–	–	(7,933)	–	–
Exercise of share options	–	27,792	–	–	(20,346)	–	7,446
At December 31, 2022	–	9,352,113	(17,653)	332,746	150,695	(5,030,295)	4,787,606
Loss for the year	–	–	–	–	–	(2,146,781)	(2,146,781)
Other comprehensive (expense) income	–	–	(19,609)	376,570	–	–	356,961
Total comprehensive (expense) income for the year	–	–	(19,609)	376,570	–	(2,146,781)	(1,789,820)
Reversal of accrued issue costs	–	11,332	–	–	–	–	11,332
Repurchase of shares by trust and converted into treasury shares held in trust	(1,162)	–	–	–	–	–	(1,162)
Recognition of equity-settled share-based payments (Note 26)	–	–	–	–	64,223	–	64,223
Vesting of restricted share units	1,095	12,768	–	–	(13,863)	–	–
Exercise of share options	–	632	–	–	(453)	–	179
At December 31, 2023	(67)	9,376,845	(37,262)	709,316	200,602	(7,177,076)	3,072,358

* Amount less than RMB1,000

35. EVENT AFTER THE REPORTING PERIOD

On February 14, 2024, the Group entered into the following transactions with VBI Parties (together with the below capitalised terms as defined in the Company's announcement on February 14, 2024):

(i) the BRII-179 Acquisition, pursuant to which VBI and VBI Cda agree to sell, and the Company agrees to purchase, all the rights, title and interest, throughout the world in perpetuity, in and to any intellectual property related to BRII-179 (VBI-2601). As consideration, the Company shall pay a maximum amount up to US$10 million by issuing a secured promissory note in the initial principal amount of US$2.5 million on the date of the BRII-179 Purchase Agreement (the "BRII-179 Note"). The principal amount of the BRII-179 Note will increase by US$7,500,000 after VBI has obtained applicable consents under the Ferring License, and may be reduced to a lower amount upon breach by VBI of certain of its obligations under the BRII-179 Purchase Agreement;

(ii) the Technology Transfer, pursuant to which VBI will use commercially reasonable efforts to (i) complete the essential activities (the "Essential Activities") before the relevant deadlines as set out in the Technology Transfer Side Letter in relation to the delivery of certain clinical materials of BRII-179 (VBI-2601) and the transfer of certain materials and manufacturing responsibility for BRII-179 (VBI-2601) and PreHevbri® as applicable, by VBI to the Company or its designee; (ii) complete the priority activities before the relevant deadlines as set out in the Technology Transfer Side Letter in relation to delivery of certain drug products of BRII-179 to the Company; and (iii) obtain consent under the Ferring License in the form as set out in the Technology Transfer Side Letter (the "Ferring Consent Letter"). As consideration, the Company will pay the Essential Activities Amount as of the completion of the Essential Activities and obtainment of the applicable consents under the Ferring License by VBI, in the form of an increase to the principal amount of the BRII-179 Note upon completion of the Essential Activities. The initial amount of the Essential Activities Amount is US$8 million, which can be reduced for VBI's delay or failure to achieve certain events related to the Technology Transfer;

(iii) the VBI-1901 License, pursuant to which, subject to the completion of the Essential Activities by VBI set forth in the Technology Transfer Side Letter and the receipt of the executed Ferring Consent Letter by the Company, VBI Cda will grant Brii HK an exclusive, sublicensable, royalty-free, fully paid-up, perpetual, and irrevocable license to VBI-1901 (the "VBI-1901 License") for development and commercialisation in the territories of the Asia-Pacific countries (excluding Japan) as set out in the VBI-1901 License Agreement. As consideration, Brii HK will pay US$5,000,000 (the "VBI-1901 License Consideration") by issuing a secured a promissory note, the principal amount of which will be increased to the VBI-1901 License Consideration on the License Effective Date (the "VBI-1901 Note", together with the BRII-179 Note, the "Promissory Notes"). The VBI-1901 Note carries terms substantially similar to those of the BRII-179 Note, except that (i) the issuer will be Brii HK, (ii) the holder will be VBI Cda, and (iii) the principal amount will be increased to the VBI-1901 License Consideration on the License Effective Date; and

35. EVENT AFTER THE REPORTING PERIOD (Continued)

(iv) the Rehovot Assets Acquisition, pursuant to which, subject to the conditions set out in the Rehovot Assets Purchase Agreement, the Group will (A) acquire from SciVac and its affiliates: (i) all rights in the material contracts for the operation of the Rehovot Facility; (ii) permits required for the operation of the Rehovot Facility; (iii) certain tangible property located at the Rehovot Facility; (iv) inventory, raw materials, reagents, samples, vials and other inventories related to the Rehovot Facility; (v) all BRII-179 (VBI-2601) products; (vi) subject to applicable law, copies of all personnel records of certain employees; (vii) the know-how and goodwill related the to the operation of the Rehovot Facility; and (viii) all rights, claims, credits, guaranties, warranties, indemnities, causes of action or rights of set-off, and other similar rights against third parties to the extent relating to or arising from the acquired assets or the assumed liabilities, and (B) assume all liabilities relating to the acquired assets of the Rehovot Facility, certain employees' compensation, operation or use of the Rehovot Facility by the Company and any undertaking towards third party service providers to pay retention payment arising on or after the Closing, excluding the excluded assets and excluded liabilities as set out in the Rehovot Assets Purchase Agreement. The purchase price is US$10,000,000 in aggregate (exclusive refundable value-added tax), which, within five Business Days following the date of the Rehovot Assets Purchase Agreement, will be deposited into an interest-bearing escrow account managed by the escrow agent as set out in the Escrow Agreement (the "Escrow Agent"), which will be held and released in accordance with the Rehovot Assets Purchase Agreement and an escrow agreement entered into by the Company, VBI, SciVac and the Escrow Agent on the same date of the Rehovot Assets Purchase Agreement.

In addition, as consideration for the BRII-179 Acquisition, the Technology Transfer and the VBI-1901 License, the Group will issue the Promissory Notes which are secured by the Collateral pursuant to the Collateral Agreements. See "Promissory Notes" as detailed in the Company's announcement on February 14, 2024.

Further details are set out in the Company's announcement on February 14, 2024. Up to the date of issuance of these consolidated financial statements, the directors of the Company are still in the process of assessing the financial impact resulting from these transactions.

DEFINITIONS

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

"2023 Share Award Scheme"	the 2023 share award scheme adopted by the Company on September 1, 2023
"2023 Share Option Scheme"	the 2023 share option scheme adopted by the Company on September 1, 2023
"AASLD"	the American Association for the Study of Liver Diseases
"AGM"	the annual general meeting of the Company to be held on Tuesday, June 25, 2024
"AIDS"	acquired immunodeficiency syndrome, defined as an HIV infection with either a CD4+ T-cell count below 200 cells per μL or the occurrence of specific diseases associated with HIV infection
"AN2"	AN2 Therapeutics, Inc., a corporation incorporated in Delaware, U.S., whose stocks are listed on the NASDAQ Global Select Market (NASDAQ: ANTX)
"APAC"	Asia Pacific
"APASL"	Asian Pacific Association for the Study of the Liver
"ART"	antiretroviral therapy
"Audit and Risk Committee"	the audit and risk committee of the Board
"BLA"	biologics license application
"Board"	the board of directors of the Company
"CD4+"	cluster of differentiation antigen 4
"CDE"	the Center for Drug Evaluation of the NMPA of China
"CDMO"	contract development and manufacturing organization, a company that serves other companies in the pharmaceutical industry on a contract basis to provide comprehensive services from drug development through drug manufacturing
"CG Code"	the Corporate Governance Code contained in Appendix C1 (formerly known as Appendix 14) to the Listing Rules

"CHB"	chronic hepatitis B
"China" or "the PRC"	the People's Republic of China excluding, for the purposes of this annual report, Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"CMO"	contract manufacturing organization, a company that serves other companies in the pharmaceutical industry on a contract basis to provide drug manufacturing services
"CNS"	central nervous system, part of the nervous system consisting of the brain and spinal cord
"Company", "our Company", "we", "us" or "Brii Bio"	Brii Biosciences Limited (騰盛博药生物科技有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands, the Shares of which are listed on the Main Board of the Stock Exchange
"COVID-19"	Coronavirus Disease 2019, a disease caused by the novel virus 2 SARS-CoV-2 and designated as severe acute respiratory syndrome
"CRO"	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
"Director(s)"	director(s) of the Company
"EFdA"	an NRTTI and an investigational drug for the treatment of HIV infection
"ESG"	environmental, social and governance
"EGM"	extraordinary general meeting of the Company held on Friday, September 1, 2023
"FVTPL"	fair value loss on financial liabilities at fair value through profit or loss
"Global Offering"	the Hong Kong initial public offering and the international offering of the Company
"Greater China"	Mainland China, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Group"	the Company and its subsidiaries
"HBsAg"	hepatitis B surface antigen
"HBV"	hepatitis B virus

DEFINITIONS

"HDV"	hepatitis D virus
"HIV"	human immunodeficiency virus
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$" or "HKD"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"IFRS"	International Financial Reporting Standard
"IND"	investigational new drug or investigational new drug application, also known as clinical trial application in China or clinical trial notification in Australia
"IT"	information technology
"LAI"	long acting injection
"Listing Date"	July 13, 2021, the date on which the Shares were listed on the Stock Exchange and from which dealings in the Shares were permitted to commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"MARCH"	Monoclonal Antibody siRNA Combination against Hepatitis B
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuer as set out in Appendix C3 (formerly known as Appendix 10) to the Listing Rules
"MDD"	major depressive disorders
"MDR/XDR"	multi-drug resistant/extensive drug resistant
"MSCI"	MSCI Inc., an American finance company
"NCE"	new chemical entity
"NDA"	new drug application
"NMPA"	the National Medical Products Administration
"Nomination Committee"	the nomination committee of the Board
"NRTI"	nucleotide/nucleoside reverse transcriptase inhibitors, a form of ART used to treat HIV infection or AIDS
"NRTTI"	nucleoside analogue reverse transcriptase translocation inhibitor

"NTM"	nontuberculous mycobacterial
"PEG-IFNα"	pegylated interferon alfa
"PK"	pharmacokinetics
"Post-IPO Share Award Scheme"	the post-IPO share award scheme adopted by our Company on June 22, 2021
"Post-IPO Share Option Scheme"	the post-IPO share option scheme adopted by our Company on June 22, 2021
"PPD"	postpartum depression
"Pre-IPO Share Incentive Plan"	the pre-IPO share incentive plan approved and adopted by our Company on October 30, 2018
"Prospectus"	the prospectus of the Company dated June 30, 2021
"QIDP"	Qualified Infectious Disease Product
"Qpex"	Qpex Biopharma Inc., a corporation incorporated in Delaware, United States
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	the year ended December 31, 2023
"RMB"	Renminbi, the lawful currency of the PRC
"RNA"	ribonucleic acid
"RSU(s)"	restricted stock unit(s)
"R&D"	research and development
"SARS-CoV-2"	severe acute respiratory syndrome coronavirus 2
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"SciVac"	SciVac Ltd., a company incorporated under the laws of Israel, being a wholly-owned subsidiary of VBI
"Share(s)"	ordinary share(s) in the share capital of the Company with a nominal value of US$0.00001 each

DEFINITIONS

"Shareholder(s)"	the holder(s) of the Share(s)
"siRNA"	small interfering RNA, sometimes known as short interfering RNA or silencing RNA, a class of double stranded non-coding RNA molecules
"Strategy Committee"	the strategy committee of the Board
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$" or "USD"	United States dollars, the lawful currency of the United States
"U.S. FDA"	the U.S. Food and Drug Administration
"VBI"	VBI Vaccines Inc., a corporation with corporate headquarters in Cambridge, the United States, whose stocks are listed on the NASDAQ Global Market (NASDAQ: VBIV)
"VBI Cda"	Variation Biotechnologies Inc., a company incorporated under the laws of Canada, being an indirectly wholly-owned subsidiary of VBI
"Vir"	Vir Biotechnology, Inc., a corporation incorporated in San Francisco, the United States, whose stocks are listed on the NASDAQ Global Market (NASDAQ: VIR)
"%"	per cent.