CLOVER
BIOPHARMACEUTICALS

Clover Biopharmaceuticals, Ltd.

三葉草生物製藥有限公司

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE : 2197

2021
ANNUAL REPORT

CONTENTS

COMPANY PROFILE

We are a global, clinical-stage biotechnology company committed to developing novel vaccines and biologic therapeutic candidates.

Our vision is to empower humanity with a healthier future through transformative science. Our mission is to leverage the Trimer-Tag™ technology platform and our manufacturing capabilities for the discovery, development and commercialization of novel vaccines and biologic therapies.

Since our inception in 2007, we have had a clear focus on translating cutting-edge science into solutions to address significant unmet medical needs. We started with the Trimer-Tag™ technology platform, established in-house research and development capabilities in Chengdu, Sichuan province, China, built out a commercial-scale manufacturing facility in Changxing, Zhejiang province, China and along the journey have assembled and continue to build a world-class team to evolve the Company into the organization it is today.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Dr. LIANG Peng
Mr. LIANG Joshua G

Non-executive Directors
Dr. WANG Xiaodong
Mr. XIAO Ting (肖汀)
Mr. LYU Dong (呂東)

Independent Non-executive Directors
Dr. WU Xiaobin
Mr. LIAO Xiang
Mr. Jeffrey FARROW
Mr. Thomas LEGGETT

AUDIT COMMITTEE

Mr. Thomas LEGGETT *(Chairman)*
Mr. XIAO Ting (肖汀)
Mr. Jeffrey FARROW

REMUNERATION COMMITTEE

Dr. WU Xiaobin *(Chairman)*
Dr. WANG Xiaodong
Mr. LIAO Xiang

NOMINATION COMMITTEE

Dr. LIANG Peng *(Chairman)*
Dr. WU Xiaobin
Mr. Thomas LEGGETT

AUTHORISED REPRESENTATIVES

Mr. LIANG Joshua G
Ms. CHAU Hing Ling (周慶齡)

JOINT COMPANY SECRETARIES

Mr. Brian KREX
Ms. CHAU Hing Ling (周慶齡) *(Fellow member of The Hong Kong Chartered Governance Institute)*

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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1598-1601 West Nanjing Road
Jing'an District
Shanghai
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1901, 19/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
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

CORPORATE INFORMATION

HONG KONG SHARE REGISTRAR

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

HONG KONG LEGAL ADVISOR

Kirkland & Ellis
26/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Central
Hong Kong

AUDITOR

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

COMPLIANCE ADVISOR

Somerley Capital Limited
20/F, China Building
29 Queen's Road Central
Hong Kong

STOCK CODE

2197

COMPANY WEBSITE

www.cloverbiopharma.com

LISTING DATE

November 5, 2021

CHIEF EXECUTIVE OFFICER'S STATEMENT

Dear Shareholders:

2021 was an exciting and transformative year for Clover and we are proud to have carried this momentum into 2022. Initiating and announcing positive final efficacy results for SPECTRA, a global Phase 2/3 clinical trial with over 30,000 participants, was our top achievement this past year. Our premiere COVID-19 vaccine candidate is potentially differentiated as it has demonstrated high efficacy against variants, potential best-in-field safety and tolerability, and only requires standard refrigeration storage and transportation conditions. With numerous significant COVID-19 outbreaks still occurring worldwide, we are as confident as ever that there is strong demand for our vaccine candidate in China and around the world, placing Clover at the forefront of supporting the global response to the COVID-19 pandemic. The clinical and corporate progress achieved has been tremendous— a true culmination of our outstanding employees, partners and shareholders, all of whom were instrumental in helping Clover edge closer towards our vision of empowering humanity with a healthier future through transformative science.

Clover's innovative pipeline has been built upon the Trimer-Tag™ technology platform, a trimerization modality to develop protein-based vaccines and immuno-oncology therapies. In 2021, we achieved late-stage clinical proof of concept for Trimer-Tag™. The exciting primary vaccination results from SPECTRA catalyzed our COVID-19 vaccines development program, and we immediately began developing SCB-2019 (CpG 1018/Alum) as a universal booster candidate. Preliminary data, disclosed in 2022, highlighted that homologous and heterologous boosting with our COVID-19 vaccine candidate induced a strong immune response and broad protection against all variants of concern, including Omicron. The growing body of clinical data continue to support the use of SCB-2019 (CpG 1018/Alum) in the primary vaccination and booster settings, reinforcing the role our protein-based vaccine candidate will play in the fight against SARS-CoV-2.

We remain focused on our immediate priorities: complete regulatory submissions to the NMPA, the EMA and the WHO, achieve global conditional approvals for SCB-2019 (CpG 1018/Alum) in 2022, commercialize our vaccine in China and meet our commitments to the COVAX facility.

For the broader COVID-19 program, we will continue to leverage the Trimer-Tag™ technology platform to create variant-specific COVID-19 vaccines, such as our second-generation COVID-19 vaccine candidate, SCB-2020S (CAS-1). Our goal is to commercialize premium vaccine candidates that are safe and broadly protective against current and future variants.

CHIEF EXECUTIVE OFFICER'S STATEMENT

Longer term, we plan to exploit the Trimer-Tag™ technology platform to develop a robust pipeline of innovative and differentiated protein-based vaccines and immuno-oncology therapies. To support this objective, we continue to expand and enhance our research and development infrastructure, manufacturing capabilities, and commercialization resources, all of which represent growth and value creation opportunities.

The vehicle driving our immediate priorities and longer-term value creation is our human capital. Our employees are our single greatest asset. We have built a world-class team of senior executives and global leaders who operate across geographical borders. Our extensive in-house talent is complimented by the ongoing support of our industry-leading Vaccine Scientific Advisory Board, which has guided our overall COVID-19 vaccine development strategy.

Our strategic partnerships have also been instrumental to our growth. The relationship with CEPI remains strong, and they have increased their total potential funding commitment for SCB-2019 (CpG 1018/Alum) multiple times in 2021. We have also signed commercial partnerships with Dynavax, GAVI, UNICEF and PAHO, organizations that will help us meet our commitments to the COVAX facility and demand in China.

We would like to express our sincere gratitude for your continued support. The accomplishments of 2021 are inspiring, and looking forward to 2022 and beyond, we are devoted to executing on our first commercial launch, implementing strategies that will position Clover for long-term success as a leading global biotechnology company, and making meaningful strides towards s towards creating a healthier future for all.

Joshua Liang
Chief Executive Officer and Executive Director
Clover Biopharmaceuticals

	Year Ended December 31,	
	2021	2020
	RMB'000	RMB'000
Cash and cash equivalents	2,767,371	516,184
Other income and gains	38,262	24,341
Research and development expenses	(1,826,301)	(228,219)
Administrative expenses	(345,710)	(76,429)
Loss for the year	(6,016,303)	(912,898)
Adjusted loss for the year*	(2,083,451)	(315,239)

* Adjusted loss for the year is not defined under IFRS. It represents the loss for the year excluding the effect brought by share-based payment expenses and fair value changes of convertible redeemable preferred shares.

IFRS Measures:

Our cash and cash equivalents increased by RMB2,251.2 million from RMB516.2 million as of December 31, 2020 to RMB2,767.4 million as of December 31, 2021, primarily attributable to the proceeds generated from our series C financing in March 2021 and the IPO of the Company in November 2021.

Other income and gains of the Group increased by RMB14.0 million from RMB24.3 million for the year ended December 31, 2020 to RMB38.3 million for the year ended December 31, 2021, primarily due to the net foreign exchange gain during 2021 as compared to the net foreign exchange loss in 2020 and the increase in interests earned on higher average cash balances mainly because of the proceeds from the Company's financing activities.

Research and development expenses increased by RMB1,598.1 million from RMB228.2 million for the year ended December 31, 2020 to RMB1,826.3 million for the year ended December 31, 2021. This increase was primarily attributable to (i) a significant increase in clinical trial expenses for SPECTRA, (ii) an increase in additional research and development expenses for the conduct of other clinical trials and preclinical studies and service fees paid to CDMOs to prepare for commercial launch, and (iii) an increase in employee salaries and benefits as we continued hiring in clinical operations, CMC and project management to support the development and prepare for commercialization of SCB-2019 (CpG 1018/Alum).

Administrative expenses of the Group increased by RMB269.3 million from RMB76.4 million for the year ended December 31, 2020 to RMB345.7 million for the year ended December 31, 2021, which was primarily attributable to (i) the increase in management and administrative staff headcount to support the rapid expansion of the Company; (ii) the increase in third-party recruitment agency costs; (iii) IPO listing expenses; and (iv) the increase in consulting expenses associated with the anticipated commercialization of SCB-2019 (CpG 1018/Alum) and other operating and administrative activities.

FINANCIAL HIGHLIGHTS

Loss for the year increased by RMB5,103.4 million from RMB912.9 million for the year ended December 31, 2020 to RMB6,016.3 million for the year ended December 31, 2021. The increase was primarily attributable to (i) the increase in research and development expenses and administrative expenses and (ii) the increase in the fair value loss on convertible redeemable preferred shares of RMB3,209.9 million.

Non-IFRS Measures:

Adjusted loss for the year represents the loss for the year excluding the effect brought by share-based payment expenses and certain non-cash items and non-recurring events, namely the fair value changes of convertible redeemable preferred shares.

The term adjusted loss for the year is not defined under the IFRS. The table below sets forth a reconciliation of the loss for the year to adjusted loss for the year:

	Year Ended December 31,	
	2021	2020
	RMB'000	RMB'000
Loss for the year	(6,016,303)	(912,898)
Added:		
Fair value changes of convertible redeemable preferred shares	3,807,638	597,659
Share-based payment expenses	125,214	–
Adjusted loss for the year	(2,083,451)	(315,239)

On November 5, 2021, the Shares of the Company were successfully listed on the Stock Exchange. We have made significant progress with respect to our product pipeline and business operations since our Listing Date.

Trimer-Tag™ Vaccines

SCB-2019 (CpG 1018/Alum) (Adjuvanted Protein-based COVID-19 Vaccine Candidate)

Regulatory Submissions:

- We remain actively engaged with the NMPA, the EMA, and the WHO regarding data needed to support conditional approval for SCB-2019 (CpG 1018/Alum), and we expect to include booster clinical data in our regulatory submissions.
- We received feedback from the WHO in December 2021 following their Good Manufacturing Practice ("**GMP**") inspection of our manufacturing facility in Changxing, Zhejiang province, China (the "**Changxing Facility**"). We have been augmenting the facility and believe the Changxing Facility continues to be on track for additional pre-approval GMP inspections in the second quarter of 2022.

We expect to complete regulatory submissions in the middle of 2022 for the NMPA and in the third quarter of 2022 for the EMA and the WHO, with ongoing preparations to commence commercial launch of SCB-2019 (CpG 1018/Alum) after receiving conditional approvals.

Clinical Trials:

- SPECTRA Efficacy Data: In September 2021, we announced SPECTRA final efficacy data. SCB-2019 (CpG 1018/Alum) demonstrated 100% efficacy against severe COVID-19 and hospitalization, 84% efficacy against moderate-to-severe COVID-19, 67% efficacy against COVID-19 of any severity caused by any strain of SARS-CoV-2 in SPECTRA, and a favorable safety profile. SCB-2019 (CpG 1018/Alum) also demonstrated significantly reduced risk of COVID-19 disease in previously infected individuals in SPECTRA.
- Heterologous Booster Data: In February 2022, initial data from a Phase 2 clinical trial in Brazil demonstrated that a single SCB-2019 (CpG 1018/Alum) booster dose induced at least 3-fold higher neutralizing antibodies against the prototype strain compared to a booster dose of AstraZeneca's COVID-19 vaccine in individuals who previously received two doses of AstraZeneca's vaccine. Additional data from this trial is anticipated in the second quarter of 2022.
- SPECTRA Follow-up Efficacy Analysis: In March 2022, we announced that SCB-2019 (CpG 1018/Alum) maintained 100% efficacy against severe COVID-19 and demonstrated 95% efficacy against hospitalization at five months after the second dose in the primary vaccination setting against any SARS-CoV-2 strain. There was also no evidence that clinical efficacy against COVID-19 declined over a five-month period in individuals with prior SARS-CoV-2 infection who were subsequently boosted with SCB-2019 (CpG 1018/Alum). No safety concerns were observed in individuals dosed with SCB-2019 (CpG 1018/Alum) in this follow-up period.
- Booster Data Including Omicron Neutralizing Antibodies: In March 2022, we announced that preliminary data from ongoing clinical trials demonstrated that a SCB-2019 (CpG 1018/Alum) booster dose in both homologous and heterologous booster settings induced strong immune responses and broad neutralization against all variants of concern, including Omicron.

BUSINESS HIGHLIGHTS

Partnerships:

- Milestone payment under the GAVI Advanced Purchase Agreement (the "**APA**"): In December 2021, we received a milestone payment of USD64 million from GAVI upon achieving certain milestones under the APA signed in June 2021, bringing the total funding received to-date from GAVI to USD224 million.
- Expansion of CEPI Funding: CEPI increased its funding commitment to us in November 2021 for a total potential funding of up to USD397.4 million.
- Execution of Commercial Supply Agreement with Dynavax for CpG 1018: In June 2021, we executed a commercial supply agreement with Dynavax for its CpG 1018 advanced adjuvant for commercial use in our COVID-19 vaccine candidate, SCB-2019 (CpG 1018/Alum).

Publications:

- SPECTRA Final Efficacy Data Published in *the Lancet:* In January 2022, final efficacy analysis and safety data for two doses of SCB-2019 (CpG 1018/Alum) utilized for primary vaccination in the global Phase 2/3 SPECTRA trial were published in the peer-reviewed journal, *the Lancet*.

Oncology Programs:

SCB-313 (Recombinant Human TRAIL-Trimer Fusion Protein)

- Ascentage Pharma Collaboration: In December 2021, we formed a clinical collaboration with Jiangsu Ascentage Pharma Co., Ltd. (江蘇亞盛醫藥開發有限公司), a biopharmaceutical company engaged in the research, development and commercialization of small molecule pharmaceutical products and a wholly-owned subsidiary of Ascentage Pharma Group International ("**Ascentage Pharma**") whose shares are listed on the Stock Exchange (stock code: 6855), to evaluate our SCB-313 asset in combination with Ascentage Pharma's APG-1387 in a Phase 1b/2 clinical trial for advanced peritoneal carcinomatosis.
- Malignant Ascites Phase 1 Interim Data: In the third quarter of 2021, we released positive Phase 1 interim data for SCB-313 in MA demonstrating an acceptable safety profile at all tested dose levels and a measurable clinical effect following SCB-313 treatment.

SCB-219 (TPO-mimetic Bispecific-Fc)

- IND Application Approved by the CDE: In December 2021, the CDE of the NMPA granted the IND approval for SCB-219 for the treatment of chemotherapy-induced thrombocytopenia (the "**CIT**") as a Category I biological Drug.

Corporate Expansion and Advancements

- Shanghai Research and Development Center: In January 2022, we announced the start of construction on a new research and development center in Zhangjiang Hi-Tech Park, Shanghai, China to expand our preclinical development, process development and pilot manufacturing capabilities.
- IPO: In November 2021, we successfully completed the IPO on the Stock Exchange raising approximately HKD2.0 billion in gross proceeds from, among others, top-tier institutional investors including Orbimed, Hillhouse, Temasek and Rock Springs Capital.

Key Management Appointment

- President of Global Research and Development Appointment: In February 2022, Nicholas Jackson, Ph.D. was appointed as the president of global research and development of our Company.

OVERVIEW

We are a global, clinical-stage biotechnology company committed to developing novel vaccines and biologic therapeutic candidates.

Our vision is to empower humanity with a healthier future through transformative science. Our mission is to leverage the Trimer-Tag™ technology platform and our manufacturing capabilities for the discovery, development and commercialization of novel vaccines and biologic therapies.

Since our inception in 2007, we have had a clear focus on translating cutting-edge science into solutions to address significant unmet medical needs. We started with the Trimer-Tag™ technology platform, established in-house research and development capabilities in Chengdu, Sichuan province, China, built out a commercial-scale manufacturing facility in Changxing, Zhejiang province, China, and along the journey have assembled and continue to build a world-class team to evolve the Company into the organization it is today.

Leveraging the Trimer-Tag™ technology platform, we have created a pipeline of innovative vaccines and oncology candidates. Our lead product candidate is SCB-2019 (CpG 1018/Alum), a protein-based COVID-19 vaccine candidate that is being submitted for conditional regulatory approval to the NMPA, the EMA and the WHO, with ongoing preparations to commence product launch following conditional regulatory approval. Our lead oncology program is SCB-313, a TRAIL-Trimer fusion protein, under development for intracavitary malignancies and has reported positive Phase 1 interim data for MA.

The Trimer-Tag™ technology platform is a product development platform for the creation of protein-based vaccines and immuno-oncology therapies based on naturally trimerization-dependent targets. The Trimer-Tag™ technology platform can trimerize any protein of interest into covalently-trimerized structures. The trimerization motif of Trimer-Tag™ is based on a human amino acid sequence derived from human collagen (C-terminal domain of Type I procollagen). Currently, Trimer-Tag™ is the only trimerization technology platform globally for producing recombinant, covalently-trimerized fusion proteins (trimer-tagged proteins) utilizing a human-derived trimerization tag.

Additionally, we have a legacy portfolio of Fc-fusion protein molecules that leverage our in-house manufacturing expertise. SCB-808 is our most advanced Fc-fusion program. It is an Enbrel® (etanercept) biosimilar in a ready-for-injection, prefilled syringe formulation in a Phase 3 clinical trial. Enbrel® is indicated for the treatment of rheumatic diseases, including ankylosing spondylitis and rheumatoid arthritis.

We are committed to partnering with leading global healthcare organizations to advance our breakthrough pipeline programs and deliver our vaccines and therapeutics to the global population. We have established partnerships with CEPI, Dynavax, GAVI, UNICEF, and PAHO with the aim to deliver a safe and effective COVID-19 vaccine to countries and regions around the world affected by the COVID-19 pandemic. In addition, we expect to explore additional strategic relationships with premiere global biopharmaceutical companies and/or academic institutions to derive further value from the Trimer-Tag™ technology platform, alternative platforms, and our innovative product pipeline to maximize the commercial potential of our pipeline products.

The following chart summarizes the development status of our vaccine, oncology and Fc-fusion product candidates.

Assets	Product Candidate	Target	Indication	Discovery	Preclinical	IND/CTA	Phase I	Phase II	Phase III	BLA
Vaccines	SCB-2019 (CpG 1018/Alum)[1]	SARS-CoV-2 S-Trimer™ (Original Strain)	COVID-19 Primary Vaccination							
			COVID-19 Universal Booster							
	SCB-2020S (CAS-1)[2]	SARS-CoV-2 S-Trimers™ (B.1.351 variant chimera)	COVID-19							
	Next Gen COVID-19 Vaccines[3]	SARS-CoV-2 S-Trimers™	COVID-19							
	Rabies Vaccine[3]	RABV G-Trimer	Rabies							
	RSV Vaccine[3]	RSV F-Trimer	RSV							
	Influenza Vaccine[3]	HA-Trimers	Quadrivalent Seasonal Flu Pandemic Flu							
Oncology	SCB-313[4]	TRAIL-Trimer	Malignant Ascites							
			Malignant Pleural Effusion							
			Peritoneal Carcinomatosis							
			Bladder Cancer							
	SCB-313[4] & APG-1387 (Ascentage)[5]	TRAIL-Trimer / IAP antagonist	Peritoneal Carcinomatosis							
	SCB-219[6]	TPO Mimetic Bispecific-Fc	Chemotherapy-Induced Thrombocytopenia (CIT)							
			Idiopathic Thrombocytopenic Purpura (ITP)							
	SCB-N16[7]	4-1BB × Undisclosed Bispecific Trimer	Immuno-Oncology							
Other Fc-Fusion (Legacy Portfolio)	SCB-808 (Etanercept Prefilled Syringe)[8]	TNFRII-Fc	Ankylosing Spondylitis (AS)							
	SCB-420 (Aflibercept)[9]	VEGFR1R2-Fc	Wet Age-related Macular Degeneration (wAMD)							

(1) Core Product and COVID-19 vaccine candidate. Announced on September 2021 SPECTRA met the primary and secondary efficacy endpoints. We expect to obtain conditional approvals in 2022 and commence product launch soon after. (2) SCB-2020S antigen is a chimeric SARS-CoV-2 spike protein based on the RBD of Beta variant and the NTD of the original strain. This candidate will be evaluated with CAS-1, an in-house developed oil-in-water emulsion-based adjuvant. (3) Other vaccine candidates in early-stage development. (4) Our oncology product candidate for the treatment of malignant ascites (MA), malignant pleural effusions (MPE), and peritoneal carcionmatosis (PC) to address global unmet medical need of intracavitary malignancies. Also exploring the treatment of bladder cancer. We are conducting five Phase 1 clinical trials for SCB-313 in China and Australia for the treatment of intracavitary malignancies. We plan to initiate additional Phase 1 clinical trials for SCB-313 to explore new indications, such as bladder cancer, and combination approaches. (5) On December 9th 2021, we entered a partnership with As centage to jointly conduct Phase 1b/2 study to evaluate the safety, tolerability, pharmacokinetics/pharmacodynamics (PK/PD), and efficacy of SCB-313 in combination with APG-1387 for the treatment of patients with primary or secondary peritoneal carcinomatosis. (6) Our Fc-Fusion product candidate for CIT and ITP. We received the IND approval from NMPA in December 2021. (7) This oncology product candidate is in early-stage development, and we are still assessing the target indication(s) for this product. (8) Our Fc-Fusion product candidate is a biosimilar to Enbrel. In China, Enbrel was approved by the NMPA in February 2010 to treat RA and AS. We received the IND approval from NMPA in November 2017 and completed a Phase 1 clinical trial in January 2019. We are conducting a Phase 3 clinical trial with data expected in 2024+. To date, the NMPA did not raise any objections or material concerns with respect to the development of SCB-808. (9) Our Fc-Fusion product candidates is a biosimilar to Eylea.

Trimer-Tag™ Vaccine Candidates

We have leveraged the Trimer-Tag™ technology platform to create our innovate pipeline programs. Our lead program, SCB-2019 (CpG 1018/Alum), is an adjuvanted, protein-based COVID-19 vaccine candidate developed to address COVID-19 which is caused by the SARS-CoV-2 virus.

SCB-2019 (CpG 1018/Alum) combines an antigen, SCB-2019, and two adjuvants, CpG 1018 and aluminum hydroxide ("**Alum**"). The SCB-2019 antigen was developed with the Trimer-Tag™ technology platform and is a stabilized trimeric form of the S-protein ("**S-Trimer™**") based on the original strain of the SARS-CoV-2 virus. Based upon the clinical data generated to date, we plan to develop SCB-2019 (CpG 1018/Alum) for primary vaccination and as a universal booster candidate. We are pursuing conditional approval and continuing to generate additional data to support the use of SCB-2019 (CpG 1018/Alum) in the current pandemic and longer-term endemic SARS-CoV-2 setting.

We remain actively engaged with the NMPA, the EMA and the WHO regarding data needed to support conditional approval for SCB-2019 (CpG 1018/Alum). We expect to complete regulatory submissions in the middle of 2022 for the NMPA and in the third quarter of 2022 for the EMA and the WHO, with product launch commencing after receiving conditional approval.

Commercialization

We have started to build out an in-house core commercialization team with an initial focus on preparing for the potential SCB-2019 (CpG 1018/Alum) product launch after receiving conditional approval. We intend to continue to expand our commercial team to adapt and pivot with the evolving commercial COVID-19 landscape and with additional product launches.

BUSINESS REVIEW

Trimer-Tag™ Vaccines

SCB-2019 (CpG 1018/Alum) (Adjuvanted Protein-based COVID-19 Vaccine Candidate)

Clinical Trials:

- SPECTRA Trial Initiation: In March 2021, the first participants were dosed with SCB-2019 (CpG 1018/Alum) in SPECTRA, a global Phase 2/3 clinical trial that enrolled over 30,000 participants.
- SPECTRA Efficacy Data: In September 2021, we announced that SPECTRA met the primary and secondary efficacy endpoints. SCB-2019 (CpG 1018/Alum) demonstrated 100% efficacy against severe COVID-19 and hospitalization, 84% efficacy against moderate-to-severe COVID-19 and 67% efficacy against COVID-19 of any severity caused by any strain of SARS-CoV-2 and showed a favorable safety profile. SCB-2019 (CpG 1018/Alum) also showed significant incremental protection against COVID-19 in previously infected individuals with a rapid and strong boosting effect on neutralizing antibody titers.
- Heterologous Booster Trial Initiation: In November 2021, a Phase 2 study in Brazil was initiated to evaluate the immunogenicity and safety of formulations of SCB-2019 as a heterologous booster dose in participants previously vaccinated with AstraZeneca's COVID-19 vaccine or Sinovac's CoronaVac®. The Phase 2 trial is an investigator-initiated study, sponsored by Instituto D'Or de Pesquisa e Ensino (the "**IDOR**") with funding from the Bill & Melinda Gates Foundation and supported by the Brazilian Ministry of Health.

Post-Reporting Period (expected) milestones and achievements:

- SPECTRA Follow-up Efficacy Analysis: In March 2022, we announced that SCB-2019 (CpG 1018/Alum) maintained 100% efficacy against severe COVID-19 and demonstrated 95% efficacy against hospitalization at five months after the second dose in the primary vaccination setting against any SARS-CoV-2 strain. There was also no evidence that clinical efficacy against COVID-19 declined over a five-month period in individuals with prior SARS-CoV-2 infection who were subsequently boosted with SCB-2019 (CpG 1018/Alum). No safety concerns were observed in individuals dosed with SCB-2019 (CpG 1018/Alum) in this follow-up period.
- Adolescents (12-18 Years) Trial: In January 2022, we amended SPECTRA to expand the evaluation of the adolescent (12-18 years) subgroup up to 1,200 adolescents. Initial data are anticipated in the first half of 2022.
- Pediatric Population: We have aligned with the EMA Paediatric Committee on our Paediatric Investigation Plan (PIP) and have a plan to generate clinical trial data for SCB-2019 (CpG 1018/Alum) in the pediatric population.
- Variant-Adapted COVID-19 Vaccine Candidates: We have produced and are evaluating multiple variant-adapted Trimer-Tag™ protein-based COVID-19 vaccine candidates (including Omicron-specific). Future development will be guided by data generated and the need for variant-adapted and broadly protective COVID-19 vaccine candidates.

Universal COVID-19 Booster Vaccine Development: We plan to complete development of SCB-2019 (CpG 1018/Alum) as a universal COVID-19 booster vaccine in 2022, to potentially enable its use as a booster dose, regardless of the vaccine technology used for the primary vaccination or previous SARS-CoV-2 infection history.

Post-Reporting Period (expected) milestones and achievements:

- Booster Data Including Omicron Neutralizing Antibodies: In March 2022, we announced that preliminary data from ongoing clinical trials demonstrated that a SCB-2019 (CpG 1018/Alum) booster dose in both homologous and heterologous booster settings induced strong immune responses and broad neutralization against all variants of concern, including Omicron.

- Heterologous Booster Trial Data: In February 2022, initial data from a Phase 2 clinical trial in Brazil demonstrated that a single SCB-2019 (CpG 1018/Alum) booster dose induced at least 3-fold higher neutralizing antibodies against the prototype strain compared to a booster dose of AstraZeneca's COVID-19 vaccine in individuals who previously received two doses of AstraZeneca's vaccine. Additional data from this trial in comparison to AstraZeneca's COVID-19 vaccine and Sinovac's CoronaVac® are anticipated in the second quarter of 2022.

- Homologous Booster Trial Initiation: In January 2022, SPECTRA was amended to evaluate SCB-2019 (CpG 1018/Alum) as a homologous booster in up to 4,000 adult participants previously vaccinated with SCB-2019 (CpG 1018/Alum).

Partnerships: Demand for COVID-19 vaccines across the globe remains strong for primary vaccination and booster doses. We believe SCB-2019 (CpG 1018/Alum) has the potential to be differentiated with its high efficacy, potential best-in-field safety and tolerability, and stability under standard refrigeration storage and transportation conditions. We continue to expand existing and establish new global partnerships to ensure fair and equitable global distribution of SCB-2019 (CpG 1018/Alum) to those most in need.

- Milestone Payment under the GAVI APA: In December 2021, we received a milestone payment of USD64 million from GAVI upon achieving certain milestones under the APA signed in June 2021 to supply up to 414 million doses of SCB-2019 (CpG 1018/Alum) to the COVAX Facility, bringing the total funding received to-date from GAVI to USD224 million.

    - PAHO Long-Term Agreement (the "**LTA**") Signed: In February 2022, we signed an LTA with PAHO, Regional Office for the Americas of the World Health Organization, to support the supply of our COVID-19 vaccine candidate, SCB-2019 (CpG 1018/Alum), to the COVAX Facility.

    - UNICEF LTA Signed: In December 2021, we entered into an LTA with UNICEF to support the supply of our COVID-19 vaccine candidate, SCB-2019 (CpG 1018/Alum), to the COVAX Facility.

- Expansion of CEPI Funding: CEPI funding supports the development of SCB-2019 (CpG 1018/Alum) for primary vaccination as well as a potential booster candidate. CEPI increased its funding commitment to us in July 2021 (up to an additional USD32.8 million) and again in November 2021 (up to a further additional USD36.9 million) for a total potential funding of up to USD397.4 million.

- Execution of Commercial Supply Agreement with Dynavax for CpG 1018: In June 2021, we executed a commercial supply agreement with Dynavax for its CpG 1018 advanced adjuvant for commercial use in our COVID-19 vaccine candidate, SCB-2019 (CpG 1018/Alum).

Regulatory and Manufacturing:

We remain actively engaged with the NMPA, the EMA and the WHO regarding data needed to support conditional approval for SCB-2019 (CpG 1018/Alum) and expect to include booster clinical data in our regulatory submissions. We received feedback from the WHO in December 2021 following their GMP inspection of our Changxing Facility. We have been augmenting the facility and believe the Changxing Facility continues to be on track for additional pre-approval GMP inspections in the second quarter of 2022. We expect to complete regulatory submissions in the middle of 2022 for the NMPA and in the third quarter of 2022 for the EMA and the WHO, with commercial launch commencing after receiving conditional approvals.

The Company remains committed to fulfilling its commitment to the COVAX Facility as well as making its COVID-19 vaccine available for procurement in China. In parallel, we are also evaluating potential regulatory submissions to specific countries for Emergency Use Authorizations or conditional approvals.

To meet the expected global demand, we have engaged multiple CDMO sites in order to augment our internal manufacturing capacity.

Post-Reporting Period (expected) milestones and achievements:

- Two pathways to achieve WHO Emergency Use Listing Procedure:
    - NMPA/WHO regulatory pathway: We have received feedback from the WHO on our Changxing Facility. The Changxing Facility continues to be on track for additional pre-approval GMP inspections in the second quarter of 2022.
    - EMA/WHO regulatory pathway: In January 2022, we engaged an experienced CDMO site to support and advance our EMA submissions. We believe this CDMO site will be able to support regulatory submissions to the EMA and the WHO in the third quarter of 2022. This strategic approach will help ensure our COVID-19 vaccine is commercialized as quickly as possible.

Publications:

- Phase 1 Data published in the *Lancet*: In January 2021, clinical data from the Phase 1 study evaluating SCB-2019 (CpG 1018/Alum) as a COVID-19 vaccine candidate was published in the peer-reviewed journal, the *Lancet*.

Post-Reporting Period (expected) milestones and achievements:

- SPECTRA Final Efficacy Data Published in the *Lancet*: In January 2022, final efficacy analysis and safety data for two doses of SCB-2019 (CpG 1018/Alum) utilized for primary vaccination in the global Phase 2/3 SPECTRA trial was published in the peer-reviewed journal, the *Lancet.*

SCB-2020S (CAS-1) (Second-generation COVID-19 Vaccine Candidate)

The SCB-2020S antigen has been designed with the N-terminal domain from the original SARS-CoV-2 strain and the receptor-binding domain from the Beta variant. We plan to evaluate SCB-2020S in clinical trials with our CAS-1 adjuvant, which is a squalene-based oil-in-water adjuvant.

Post-Reporting Period (expected) milestones and achievements:

- SCB-2020S (CAS-1) received Clinical Trial Application (CTA) approval in South Africa in March 2022, and we anticipate initiating a Phase 1 clinical trial in the first half of 2022.

Next-generation/Pan COVID-19 Vaccine Candidate:

Post-Reporting Period (expected) milestones and achievements:

- A next-generation COVID-19 vaccine candidate is under development to provide protection against SARS-CoV-2 variants.

Non-COVID-19 Vaccines

Post-Reporting Period (expected) milestones and achievements:

- ***Rabies RABV G-Trimer Vaccine Candidate:*** The Company is continuing the necessary preparation for clinical trials and anticipates advancing the program into IND-enabling studies in 2022.
- ***RSV F-Trimer Vaccine Candidate:*** The Company's RSV candidate (Fusion F Antigen-Trimer) is in early-stage development and undergoing preclinical activities.
- ***Influenza Vaccine Candidate:*** The Company is conducting preclinical activities on our influenza vaccine candidate (Hemagglutinin (HA)-Trimer) and is advancing this candidate towards the clinic.

Oncology Product Candidates

SCB-313 is our lead oncology program and is a TRAIL-Trimer fusion protein that was developed using the Trimer-Tag™ technology platform. SCB-313 is a covalently linked, native-like trimeric fusion protein structurally and functionally differentiated from the dimeric antibody-based structures and other native ligand-based candidates targeting the programmed cell death pathway, a trimerization-dependent pathway. SCB-313 has demonstrated bioactivity and binding affinity to death receptors DR4 and DR5 and is under evaluation for intracavitary malignancies, where it showed promising Phase 1 interim data for MA. There is a therapeutic gap for intracavitary malignancies and therefore a large market opportunity. The Company is also exploring SCB-313 in additional indications, including bladder cancer and in combination studies.

The Company is actively exploring additional assets in immuno-oncology and immunology indications and partnerships to further advance the pipeline.

SCB-313 (Recombinant Human TRAIL-Trimer Fusion Protein)

- Ascentage Pharma Collaboration: In December 2021, we formed a clinical collaboration with Ascentage Pharma to evaluate SCB-313 in combination with Ascentage Pharma's APG-1387, a second mitochondria-derived activator of caspase (SMAC)-mimetic/inhibitor of apoptosis proteins (IAP) antagonist, in a Phase 1b/2 clinical trial for advanced peritoneal carcionmatosis.
- MA Phase 1 Interim Data: In the third quarter of 2021, we released positive Phase 1 interim data for SCB-313 in MA demonstrating an acceptable safety profile at all tested dose levels and a measurable clinical effect following SCB-313 treatment.

SCB-219 (TPO-mimetic Bispecific-Fc)

- SCB-219 IND Application approved by the CDE: In December 2021, the CDE of the NMPA granted the IND approval for SCB-219 for the treatment of CIT as a Category I biological Drug.

Other Fc-fusion Product Candidates

SCB-808 is our most advanced Fc-fusion program. It is in development as a ready-for-injection, pre-filled syringe formulation Enbrel (etanercept) biosimilar in a Phase 3 clinical trial. Enbrel (etanercept) is indicated for the treatment of rheumatic diseases, including ankylosing spondylitis and rheumatoid arthritis.

SCB-808 (Etanercept Prefilled Syringe):

The Company is conducting a double-blinded, Phase 3 clinical trial to evaluate SCB-808's efficacy, safety and pharmacokinetics for the treatment of ankylosing spondylitis as compared to Enbrel.

- A Phase 1 Pharmacokinetics clinical trial was conducted for SCB-808 in comparison to Enbrel. This clinical trial is a double-sequence, double-period, double-dose randomized, open, cross-over design study, comparing SCB-808 injection (50mg) with the original drug etanercept for injection (Enli®) (50mg) in Chinese healthy male subjects. The primary endpoints were to evaluate the pharmacokinetics (Cmax and AUC0-) of SCB-808. The secondary endpoints were to evaluate the pharmacokinetics (AUC0-, t1/2 and Tmax), safety and immunogenicity of SCB-808. We expect to present these results at an upcoming medical congress during the second quarter of 2022.
- The open-label phase of the Phase 3 clinical trial was completed in December 2020 providing support for the double-blind comparative phase.

Post-Reporting Period (expected) milestones and achievements:

- The Company is continuing to prepare for the double-blind comparative phase of the Phase 3 clinical trial and anticipates we may have results from this study as early as in 2024, with potential regulatory submissions in 2025 and commercialization after regulatory approval.

SCB-420 (Aflibercept):

SCB-420 is an aflibercept biosimilar currently in development for ophthalmologic diseases such as wAMD.

WARNING UNDER RULE 18A.08(3) OF THE LISTING RULES: WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR DRUG CANDIDATES SUCCESSFULLY.

Intellectual Property

As of December 31, 2021, the Group owned 19 registered trademarks in the PRC (4), Hong Kong (4), the European Union (8), and the United Kingdom (3). At the same date, the Group had filed 75 trademark applications in the PRC (42), Hong Kong (12), the United States (6), the European Union (8), the United Kingdom (3), and other jurisdictions (4).

As of December 31, 2021, our owned patent portfolio consists of one issued U.S. patent, and 26 patent applications, including 20 PCT patent applications in nine patent families, three U.S. patent applications, one European patent application, and two PRC patent applications. Our owned patents and patent applications primarily include compositions, methods and uses related to tumor necrosis factor ("**TNF**") superfamily ("**TNFSF**") and certain vaccines against enveloped RNA viruses, including SCB-2019 (CpG 1018/Alum). As of December 31, 2021, we in-licensed the exclusive worldwide rights for the Trimer-Tag™ technology platform under thirteen issued patents, including three issued U.S. patents and ten issued patents in other jurisdictions, namely PRC, Japan, and Europe (i.e. the U.K., France, Germany, Spain, Italy, the Netherlands, and Switzerland/Liechtenstein). Our in-licensed patents and patent applications primarily relate to methods and compositions for producing secreted trimeric fusion proteins employing the Trimer-Tag™ technology.

Impact of COVID-19 and response

The Company anticipates that the clinical trials in China and overseas will not be significantly affected by the outbreak of COVID-19. Based on information available as of the date of this report, we believe that the outbreak of COVID-19 will not cause material interruption to our business operation and will not have significant impact on our financial conditions and financial results.

We are unable to predict if and when COVID-19 will be suppressed. The above conclusion is based on the information about COVID-19 available for the time being. We cannot be sure if COVID-19 will not worsen and if our operation results will not be materially and adversely affected.

Corporate Expansion and Advancements

- IPO: In November 2021, we successfully completed the IPO on the Stock Exchange raising approximately HKD2.0 billion in gross proceeds from, among others, top-tier institutional investors including Orbimed, Hillhouse, Temasek and Rock Springs Capital.

Post-Reporting Period milestones and achievements:

- Hang Seng Composite Index ("**HSCI**") Inclusion: The Company was selected for inclusion as a constituent stock of the Hang Seng Composite Index, effective as of March 7, 2022. Selection as a constituent stock for the HSCI enables the Shares to become eligible for trading on the Hong Kong Stock Connect, a channel for stock trading between investors in Hong Kong and those in mainland China.

- Key Management Appointment: In February 2022, Nicholas Jackson, Ph.D. was appointed as the president of global research and development of our Company. Dr. Jackson has spent over 22 years in vaccine and immunotherapeutic research and development roles, leading multiple successful global programs in bacterial, viral and non-infectious disease targets. In his most recent role with CEPI, Nicholas was the head of vaccine programs and technology for research and development and also served as the managing director of CEPI's China office in Shanghai. Prior to his work at CEPI, Dr. Jackson was vice president, head of global research for Sanofi Pasteur, responsible for leading vaccine research and early development activities globally. Before Sanofi Pasteur, Nicholas held vaccine and immunotherapeutic development roles at Pfizer, IAVI and GlaxoSmithKline, where he oversaw R&D programs, global clinical trials and collaborations.
- UK Antibody Innovation Center: In February 2022, we announced the establishment of an antibody innovation center facility in the United Kingdom to develop novel monoclonal antibody platforms, which will be utilized for developing novel products in oncology and infectious diseases.
- Shanghai Research and Development Center: In January 2022, we announced the start of construction of a new research and development center in Zhangjiang Hi-Tech Park, Shanghai, China to expand our preclinical development, process development and pilot manufacturing capabilities.

Future Business Development and Outlook

Leveraging our expanding capabilities, we plan to implement the following strategies to position the Company for long-term success as a leading global biotechnology company developing novel vaccines and biologic therapeutic candidates: (i) accelerate the development and commercialization of SCB-2019 (CpG 1018/Alum) for primary vaccination and as a universal booster candidate, (ii) develop our second-generation COVID-19 vaccines, (iii) expand and advance our product pipeline in vaccines and immuno-oncology, (iv) further enhance our research and development, manufacturing, and commercialization capabilities to build an integrated biotechnology company, and (v) explore synergistic and collaborative opportunities to enhance our growth and increase our value as a global biotechnology company.

FINANCIAL REVIEW

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Other income and gains	38,262	24,341
Administrative expenses	(345,710)	(76,429)
Research and development expenses	(1,826,301)	(228,219)
Fair value changes of convertible redeemable preferred shares	(3,807,638)	(597,659)
Other expenses	(66,700)	(31,959)
Finance costs	(8,216)	(2,973)
LOSS BEFORE TAX	(6,016,303)	(912,898)
Income tax expense	–	–
LOSS FOR THE YEAR	(6,016,303)	(912,898)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company	(15,064)	–
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	(15,064)	–
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	124,555	(2,021)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	124,555	(2,021)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	109,491	(2,021)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(5,906,812)	(914,919)
Non-IFRS Measures		
Adjusted loss for the year	(2,083,451)	(315,239)

Other Income and Gains

The Group's other income and gains primarily consist of government grants, bank interest income, foreign exchange differences, and net changes in fair value of financial assets. The government grants consist of: (i) subsidies from local government for expenditure arising from research and development activities, and (ii) awards for new drug development.

For the year ended December 31, 2021, other income and gains of the Group increased by RMB14.0 million from RMB24.3 million for the year ended December 31, 2020 to RMB38.3 million, primarily due to the net foreign exchange gain for the year ended December 31, 2021 as compared to the net foreign exchange loss for the year ended December 31, 2020 and the increase in interests earned on higher average cash balances mainly because of the proceeds from the Company's financing activities.

Administrative Expenses

The Group's administrative expenses primarily consist of (i) employee salaries and benefits; (ii) professional service fees; (iii) consulting fees; (iv) listing expenses; (v) office expenses and (iv) depreciation and amortization expenses. Other administrative expenses include travel expenditures and other miscellaneous expenses in connection with administration activities.

For the year ended December 31, 2021, the administrative expenses of the Group increased by RMB269.3 million, from RMB76.4 million for the year ended December 31, 2020 to RMB345.7 million, which was primarily attributable to (i) the increase in management and administrative staff headcount to support the rapid expansion of the Company; (ii) the increase in third-party recruitment agency costs; (iii) IPO listing expenses; and (iv) the increase in consulting expenses associated with the anticipated commercialization of SCB-2019 (CpG 1018/Alum) and other operating and administrative activities.

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Employee salaries and benefits	173,722	32,967
Professional service fees	50,135	19,822
Consulting fees	38,380	7,154
Listing expenses	33,619	1,991
Office expenses	10,537	2,931
Depreciation and amortization	11,406	4,544
Others	27,911	7,020
Total	345,710	76,429

Research and Development Expenses

The Group's research and development expenses primarily consist of: (i) clinical trial expenses, including payments to contract research organizations, hospitals and other medical institutions and fees incurred for clinical trials; (ii) salaries, bonus, welfare and share-based compensation for research and development personnel; (iii) costs of raw materials and consumables used for research and development of our product candidates; (iv) R&D consultation and service expenses, mainly related to preclinical study costs and service fees paid to CDMOs to prepare for commercial launch; and (v) depreciation and amortization in relation to our leasehold buildings, machinery and equipment.

For the year ended December 31, 2021, research and development expenses increased by RMB1,598.1 million from RMB228.2 million for the year ended December 31, 2020 to RMB1,826.3 million. This increase was primarily attributable to (i) a significant increase in clinical trial expenses for SPECTRA; (ii) an increase in additional research and development expenses for the conduct of other clinical trials and preclinical studies and service fees paid to CDMOs to prepare for commercial launch; and (iii) an increase in employee salaries and benefits as we increased staffing in clinical operations, CMC and project management to support the development and prepare for commercialization of SCB-2019 (CpG 1018/Alum).

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Clinical trial expenses	1,225,586	76,321
R&D consultation and service fees	144,582	29,473
Employee salaries and benefits	286,584	66,418
Costs of raw materials and consumables	133,704	39,655
Depreciation and amortization	9,305	2,316
Others	26,540	14,036
Total	1,826,301	228,219

Fair Value Changes of Convertible Redeemable Preferred Shares

The Group's fair value change of convertible redeemable preferred shares refers to the fair value losses of the series A, series B, series B-2 and series C preferred shares, which takes into account exchange rate changes.

For the year ended December 31, 2021, the Group recorded fair value loss on convertible redeemable preferred shares of RMB3,807.6 million, representing an increase of RMB3,209.9 million from RMB597.7 million for the year ended December 31, 2020 as the fair value of convertible redeemable preferred shares increased upon the completion of the IPO. Such loss due to the fair value changes of convertible redeemable preferred shares was non-cash and non-recurring. All of the Company's preferred shares were converted to ordinary shares upon the Listing Date. The Group will not incur any additional losses related to the fair value changes of preferred shares going forward.

Finance Costs

The Group's finance costs primarily consist of (i) expenses associated with the issuance of our preferred shares, mainly comprising of consulting fees and (ii) interest on lease liabilities, mainly in relation to the offices in Beijing, Shanghai and Chengdu for our operation.

Our finance costs increased by RMB5.2 million from RMB3.0 million for the year ended December 31, 2020 to RMB8.2 million for the year ended December 31, 2021. This increase in finance costs was primarily due to the higher costs associated with the issuance of our series C preferred shares in 2021 compared to the issuance of our series B-2 preferred shares in 2020, as well as an increase in interest expenses on lease liabilities.

Loss for the Year

As a result of the above, the loss for the year for the Group increased by RMB5,103.4 million from RMB912.9 million for the year ended December 31, 2020 to RMB6,016.3 million for the year ended December 31, 2021.

Non-IFRS Measure

To supplement the Group's annual consolidated financial statements, which are presented in accordance with the IFRSs, we also provide adjusted loss for the year as supplemental information. Such measures are not required by the IFRSs, but the Company deems it useful information to its shareholders and potential investors for the evaluation of the Group's annual consolidated financial results.

Adjusted loss for the year represents the loss for the year excluding the effect of share-based payment expenses, and the change in fair value of the convertible redeemable preferred shares which is non-cash and non-recurring. This non-IFRS measure should not be considered in isolation from, or as a substitute for the analysis of, the Group's IFRS reporting. The Company's presentation of such adjusted figures may not be comparable to a similarly titled measure presented by other companies. However, the Company believes that this non-IFRS measure is a better indication of the Group's normal operating result and a better basis of comparisons for operating performance from period to period.

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

	Year Ended December 31,	
	2021	2020
	RMB'000	RMB'000
Loss for the year	(6,016,303)	(912,898)
Added:		
Fair value changes of convertible redeemable preferred shares	3,807,638	597,659
Share-based payment expenses	125,214	–
Adjusted loss for the year	(2,083,451)	(315,239)

Selected Data from Consolidated Statement of Financial Position

	As of December 31,	
	2021 RMB'000	2020 RMB'000
Total current assets	5,076,495	1,048,425
Total non-current assets	269,165	139,103
Total Assets	5,345,660	1,187,528
Total current liabilities	2,148,109	66,734
Total non-current liabilities	1,978,403	2,103,535
Total liabilities	4,126,512	2,170,269
Net current assets	2,928,386	981,691

Liquidity and Source of Funding and Borrowings

As of December 31, 2021, the Group's cash and cash equivalents increased by RMB2,251.2 million from RMB516.2 million as of December 31, 2020 to RMB2,767.4 million. The increase primarily resulted from the proceeds from the IPO and the series C financing, and payments from GAVI under the APA, which was partly offset by expenditure incurred for our research and development activities and operation.

As of December 31, 2021, the current assets of the Group totaled RMB5,076.5 million, including cash and cash equivalents and time deposits and restricted cash of RMB2,835.3 million, prepayments, other receivables and other assets of RMB1,441.6 million, inventories of RMB768.7 million, and financial assets at fair value through profit or loss of RMB30.9 million.

As of December 31, 2021, the current liabilities of the Group were RMB2,148.1 million, including contract liabilities of RMB1,423.5 million, trade payables of RMB588.6 million, other payables and accruals of RMB114.5 million, and lease liabilities (within one year) of RMB21.5 million.

As of December 31, 2021, the Group had no bank loans. There was no material influence of seasonality on the Group's borrowing needs. Currently, the Group follows a set of funding and treasury policies to manage its capital resources and mitigate potential risks. The Group endeavors to maintain an adequate level of cash and cash equivalents to address short term funding needs. The Board would also consider various funding sources depending on the Group's funding needs to ensure that the financial resources have been used in the most cost-effective and efficient way to meet the Group's financial obligations. The Board reviews and evaluates the Group's funding and treasury policy from time to time to ensure its adequacy and effectiveness.

Significant Investments, Material Acquisitions and Disposals

As of December 31, 2021, we did not hold any significant investments. We also did not have material acquisitions or disposals of subsidiaries, associates, and joint ventures for the year ended December 31, 2021.

Future Plans for Material Investments or Capital Assets

The Group had no other material capital expenditure plan as of the date of this report.

Contingent Liabilities

The Group did not have any material contingent liabilities as of December 31, 2021.

Gearing Ratio

The gearing ratio is calculated using total liabilities divided by total assets and multiplied by 100%. As of December 31, 2021, our gearing ratio was 77.2% (December 31, 2020: 182.8%).

Capital Commitments

The capital commitments of the Group as of December 31, 2021 were RMB65.5 million, reflecting an increase of RMB32.8 million from RMB32.7 million as of December 31, 2020, primarily attributable to progress made in the construction of research and CMC facilities.

Pledge of Assets

As of December 31, 2021, the Group had no pledge of assets.

Foreign Exchange Exposure

During the year ended December 31, 2021, the Group mainly operated in China and a majority of its transactions were settled in RMB, the functional currency of the Company's primary operating subsidiaries. We currently do not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. Except for certain bank balances and cash, other receivables, trade and other payables denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations as of December 31, 2021.

Employees and Remuneration

As of December 31, 2021, the Group had 814 employees. The total remuneration cost incurred by the Group for the year ended December 31, 2021 was RMB460.3 million. The following table sets forth the details of our employees by function as of December 31, 2021:

Function	Number of employee	% of total
Research and Development	253	31.1
Manufacturing and CMC	376	46.2
General and Administrative	185	22.7
Total	814	100.0

The remuneration package of our employees includes salary, bonus and equity incentives, which is generally determined by the employees' qualifications, industry experience, title and performance. We make contributions to social insurance and housing provident funds in accordance with relevant laws and regulations.

The Company has also adopted the RSU Scheme on April 15, 2021, the Pre-IPO Share Option Plan on April 15, 2021 and the Post-IPO Share Option Plan on September 26, 2021 to provide incentives for the eligible participants. For details, please refer to the paragraph headed "D. Share Incentive Plans" in Appendix IV to the Prospectus.

EXECUTIVE DIRECTORS

Dr. LIANG Peng, aged 61, was appointed as an executive Director on October 31, 2018. Dr. Liang is primarily responsible for overall management of the business strategy, corporate development and research and development of our Group. Dr. Liang founded our Group by establishing Sichuan Clover in June 2007 as the chairman of Sichuan Clover.

In addition to our Company and Sichuan Clover, Dr. Liang is also serving the following positions in our Group:

- the chairman of Zhejiang Clover since August 2016;
- the president of U.S. Clover since April 2020;
- a director of Australia Clover since June 2017; and
- a director of HK Clover since November 2018.

Dr. Liang has over 25 years of experience in both practical and academic fields of pharmaceutical industry. Prior to founding our Group, Dr. Liang founded GenHunter Corporation in October 1992 and has served as the chairman since its incorporation. From 1995 to 2010, he served as an associate professor in Cancer Biology at Vanderbilt University. From November 2007 to June 2018, Dr. Liang served as adjunct professor in Biochemistry and Molecular Biology at Sichuan University (四川大學). From July 2021, Dr. Liang serves as a member of the scientific advisory committee of Shandong Boan Biotech Co., Ltd. (山東博安生物技術股份有限公司).

Dr. Liang obtained his bachelor's degree in biochemistry from Peking University (北京大學) in July 1982 in the PRC. He received his doctor of philosophy in biochemistry from University of Illinois in May 1990, after which he was a postdoctoral fellow in biochemistry in Harvard Medical School until August 1995 in the U.S. Dr. Liang was a recipient for both the 1997 Prize for Innovative Technology awarded by the Society of Chinese Bioscientists in America and the 1998 Prize Molecular Bioanalytics awarded by the German Society of Biochemistry and Molecular Biology.

Mr. LIANG Joshua G, aged 30, was appointed as an executive Director on December 25, 2020. Mr. Liang is primarily responsible for leading the management and operation of all functional departments and supervising product strategy of our Group. Mr. Liang joined our Group in April 2016 as the chief strategy officer of Sichuan Clover.

In addition to the positions in our Company, Mr. Liang is serving the following positions in our Group:

- a director and the chief executive officer of Sichuan Clover since September 2017 and since June 2020, respectively;
- a director and the general manager of Zhejiang Clover since August 2016;
- the executive director and general manager of Beijing Clover since August 2020;
- the executive director and general manager of Shanghai Clover since February 2021;
- the chief executive officer of U.S. Clover since April 2020;
- the executive director and chief executive officer of Australia Clover since December 2020; and
- a director of HK Clover since December 2020.

Prior to joining our Group, Mr. Liang served as an analyst at Centerview Partners from July 2014 to February 2016, where he was mainly responsible for assisting in analyzing industry dynamics, competitive positioning and business strategies.

Mr. Liang obtained his bachelor's degrees in both economics and biology from the University of Pennsylvania in May 2014 in the U.S.

NON-EXECUTIVE DIRECTORS

Dr. WANG Xiaodong, aged 59, was appointed as a non-executive Director on March 16, 2021. Dr. Wang is primarily responsible for providing guidance and advice on the corporate and business strategies of our Group. Dr. Wang joined our Group in December 2011 as a director of Sichuan Clover.

Dr. Wang is concurrently serving the following positions outside our Group:

- a director at Beigene Inc., a pharmaceutical company whose shares are listed on both NASDAQ (ticker symbol: BGNE) and the Stock Exchange (stock code: 6160), since February 2016; and
- a director at National Institute of Biological Sciences, Beijing (北京生命科學研究所) since October 2009.

Prior to joining our Group, Dr. Wang served as a chair professor of Biomedical Sciences at the University of Texas Southwestern Medical Center from 2001 to 2010 and an investigator at Howard Hughes Medical Institute from 1997 to 2010 in the U.S.

Dr. Wang received his doctor of philosophy in biochemistry from University of Texas Southwestern Medical Center in May 1991 in the U.S. and bachelor degree of biology from Beijing Normal University (北京師範大學) in July 1984 in the PRC. Dr. Wang was awarded many prizes in his professional field, including the Shaw Prize in Life Science and Medicine by the Shaw Prize Foundation (邵逸夫基金會) in September 2006, the Qiu Shi Science and Technologies Prize by the Qiu Shi Science and Technologies Foundation (求是科技基金會) in August 2013, and the King Faisal Prize in Science by the King Faisal Foundation, Saudi Arabia in 2020.

Mr. XIAO Ting (肖汀), aged 35, was appointed as a non-executive Director on March 16, 2021. He is primarily responsible for providing guidance and advice on the corporate and business strategies of our Group. Mr. Xiao joined our Group on October 17, 2019 as a director of Sichuan Clover.

Mr. Xiao has worked at Delos Advisors Limited, a venture capital investment fund, as a partner since March 2022, a principal since January 2017 to March 2022, and as an investment professional from June 2015 to January 2017. From December 2010 to December 2014, he worked in Goldman Sachs as an associate. From July 2008 to December 2010, Mr. Xiao worked at China International Capital Corporation Limited (中國國際金融股份有限公司) as an analyst.

Mr. Xiao obtained his bachelor's degree in international economy and trade from Shanghai Jiao Tong University (上海交通大學) in July 2008. Mr. Xiao is a Chartered Financial Analyst (CFA) and a Financial Risk Manager (FRM), and he obtained the qualifications from the Chartered Financial Analyst Institute in September 2018 and the Global Association of Risk Professionals in March 2014, respectively.

Mr. LYU Dong (呂東), aged 47, was appointed as a non-executive Director on March 16, 2021. He is primarily responsible for providing guidance and advice on the corporate and business strategies of our Group.

Mr. Lyu has been a non-executive director at Jacobio Pharmaceuticals Group Co., Ltd. (加科思藥業集團有限公司), a company whose shares are listed on the Stock Exchange (stock code: 01167), since November 2020 and a non-executive director at JHBP (CY) Holdings Limited (嘉和生物藥業(開曼)控股有限公司), a company whose shares are listed on the Stock Exchange (stock code: 6998), since November 2021.

From July 2011 to July 2016, Mr. Lyu worked at Shanghai Panxin Equity Investment Management Co., Ltd. (上海磐信股權投資管理有限公司) as a vice president. From September 2016 to September 2020, he served as a managing director at PAG Growth (Zhuhai) Holding Investment Management Co., Ltd (太盟成長(珠海)股權投資管理有限公司). Subsequently, in September 2020, Mr. Lyu joined Zhuhai Gao Ling Investment Management Holding Co., Ltd (珠海高瓴股權投資管理有限公司), where he currently serves as a managing director.

Mr. Lyu obtained his bachelor's degree in pharmacy from Beijing Medical University (北京醫科大學) (currently known as the Peking University Health Science Center (北京大學醫學部)) in July 1996 in the PRC, his master's degree in pharmaceutics from Peking University (北京大學) in June 2003 in the PRC, and his doctor degree in social and administrative pharmacy from China Pharmaceutical University (中國藥科大學) in June 2010 in the PRC.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. WU Xiaobin, aged 60, was appointed as an independent non-executive Director on April 19, 2021 with effect from September 26, 2021. He is primarily responsible for supervising and providing independent judgement to our Board.

Dr. Wu has more than 25 years of rich experience in the pharmaceutical industry, including 17 years leading China operations of multinational companies, with expertise in integrated research and development, strategy, commercialization and general management. Prior to joining our Group, Dr. Wu took the role of global president and general manager of BeiGene, Ltd. ("**BeiGene**"), a Stock Exchange listed company (stock code: 6160), since May 2018. Before joining BeiGene, Dr. Wu served as the country manager of Pfizer China; and regional president of Pfizer Essential Health in Greater China Region from October 2009 to April 2018. Dr. Wu led Pfizer China business with focus and integrity, building an incredible business and establishing a strong culture of compliance. Under his leadership, Pfizer China experienced a significant growth, developed a clear vision and strategy, which transformed the business and organization to new heights, and established its position as a leading multinational pharmaceutical company in China, also became a significant contributor to China's healthcare system. Dr. Wu is widely recognized as an industry opinion leader in China, he actively worked with industry associations, helped to shape and influence the environment to ensure Chinese patients have access to high-quality medicines and vaccines.

Prior to Pfizer, Dr. Wu served as president and managing director of Wyeth China and Hong Kong from 2004 to 2009. Before joining Wyeth, Dr. Wu served as the general manager of Bayer Healthcare in China from 2001 to 2004. He started his career in 1992 in sales & marketing, also in headquarters' functions with Bayer in Germany.

Dr. Wu was elected as the vice chairman of China Pharmaceutical industry Research and Development Association since 2019. He is also a research fellow at Research Center of National Drug Policy and Ecosystem. Dr. Wu served as the vice chairman of the R&D Based Pharmaceutical Association Committee (RDPAC) in China from 2008 to 2018. In addition to his duties in industrial associations, Dr. Wu is frequently awarded with industry awards, including being voted as "Person of the Year" in Healthy China Award 2017 and having won the award of "2017 Top 10 Most Influential Person in Chinese Healthcare Industry" and "2017 Social Responsibility Eminent Person Award."

Dr. Wu obtained Ph.D. in biochemistry and pharmacology in April 1993 and a master's degree in molecular biology in January 1990 from the University of Konstanz in Germany.

Mr. LIAO Xiang, aged 57, was appointed as an independent non-executive Director on April 19, 2021 with effect from September 26, 2021. He is primarily responsible for supervising and providing independent judgement to our Board.

In addition to his position in our Company, Mr. Liao has served as the chief executive officer of NovaStream Biotech Co., Ltd. (北京欣生禾生物科技有限公司) since March 2012. From January 2008 to January 2012, he worked for Novartis Vaccines. From May 1992 to December 2007, he worked for Sanofi Pasteur, a biotechnology company, where he served various positions with the last one being a corporate development director.

Mr. Liao obtained his bachelor's degree in medicine from West China University of Medical Sciences (華西醫科大學) in July 1987 in the PRC and his master's degree in biochemistry from the University of Scranton in August 1992 in the U.S. He obtained his master in business administration in Columbia University in October 2003 in the U.S.

Mr. Jeffrey FARROW, aged 60, was appointed as an independent non-executive Director on April 19, 2021 with effect from September 26, 2021. He is primarily responsible for supervising and providing independent judgement to our Board.

In addition to his position in our Company, Mr. Farrow also serves as the chief financial officer of Global Blood Therapeutics, Inc., a company whose shares are listed on the NASDAQ (ticker symbol: GBT). From June 2015 to March 2016, he worked for ZS Pharma, Inc., a biotechnology company, as its chief financial officer. From November 2009 to May 2015, he first worked as the vice president of finance and then the chief financial officer of Hyperion Therapeutics, Inc. From May 2008 to December 2009, he served as the vice president of finance of Evotec, a biotechnology company listed on Frankfurt Stock Exchange (ticker symbol: EVT), where he was mainly responsible for US finance operations and SEC filings. From January 2004 to July 2007, he first worked as the senior director of finance and then the vice president of finance and chief accounting officer at Renovis, Inc. (a company acquired by Evotec in 2008). From July 1996 to January 2004, he worked for KPMG with his last position being a senior manager.

Mr. Farrow obtained his bachelor's degree in business administration with a concentration in finance from California State University of Fullerton in June 1993 in the U.S. Mr. Farrow obtained the Certified Public Accountant license from California Board of Accountancy in May 2002 in the U.S.

Mr. Thomas LEGGETT, aged 45, was appointed as an independent non-executive Director on April 19, 2021 with effect from September 26, 2021. He is primarily responsible for supervising and providing independent judgement to our Board.

In addition to his position at our Company, Mr. Leggett also serves as the chief financial officer of Affinia Therapeutics, Inc., a private biotechnology company. Prior to his current role, Mr. Leggett served as the chief financial officer of Black Diamond Therapeutics, Inc., a company whose shares are listed on the NASDAQ (ticker symbol: BDTX) from September 2019 to December 2021. Prior to Black Diamond, he worked for a NASDAQ listed company, Axcella Health, Inc. (ticker symbol: AXLA) as its chief financial officer from January 2017 to August 2019. Starting in May 2015, he worked as the treasurer & head of business development finance of Purdue Pharma L.P., a pharmaceuticals company. From November 2009 to May 2015, Mr. Leggett first served as a director and then an executive director of UBS Securities, where he was mainly responsible for providing corporate finance and strategic advisory services to life sciences clients. From January 2007, he worked at Lazard Freres & Co., an investment bank. From August 2004 to January 2007, he worked for J.P. Morgan Securities as an associate.

Mr. Leggett obtained his bachelor's degree in economics from Columbia University in May 1999 and his master of business administration from the Wharton School of the University of Pennsylvania in May 2004 in the U.S.

SENIOR MANAGEMENT

Mr. LIANG Joshua G, aged 30, was appointed as our chief executive officer on December 25, 2020. Please see the section headed "Executive Directors" above for details of his biography.

Dr. LIANG Peng, aged 61, has been our chief scientific officer since the incorporation of our Company on October 31, 2018. Please see the section headed "Executive Directors" above for details of his biography.

OTHER MANAGEMENT

Dr. Nicholas JACKSON, aged 51, was appointed as our President of Global Research and Development in February 2022. He is responsible for leading our R&D organization to further our mission of discovery, development, and commercialization of novel vaccines and biologic therapies.

Dr. Jackson has spent over 22 years in research and development of vaccine and immunotherapeutic, leading multiple successful global programs in bacterial, viral and non-infectious disease targets. Prior to joining our Group, Dr. Jackson was the Head of Vaccine Programs and Technology for Research and Development at the CEPI and the Managing Director of CEPI's China office in Shanghai. Prior to his work at CEPI, Dr. Jackson was Vice President, Head of Global Research for Sanofi Pasteur, responsible for leading vaccine research and early development activities globally. Before Sanofi Pasteur, Dr. Jackson held vaccine development and immunotherapeutic roles at Pfizer, IAVI and GlaxoSmithKline, where he oversaw R&D programs, global clinical trials and collaborations.

Dr. Jackson holds a Bachelor of Science degree from Oxford Brookes University, a Master of Science from the London School of Hygiene & Tropical Medicine, and a doctorate from the University of Warwick in the field of viral immunology.

Ms. Htay Htay HAN, aged 54, was appointed as our chief medical officer (vaccine) in February 2021. She is primarily responsible for the clinical development of our vaccine candidates of our Group.

Prior to joining our Group, from December 1992 to June 2016, Ms. Han served at GSK Vaccines as a project level, clinical research and development lead, where she was mainly responsible for global clinical development of vaccine programs. From June 2016 to August 2020, she worked at Takeda Pharmaceuticals Inc. as a senior medical director (early programs).

Ms. Han obtained her bachelor of medicine and bachelor of surgery degrees in March 1987 from Institute of Medicine (1), Rangoon University in Myanmar.

Dr. Philippe BISHOP, aged 57, was appointed as our chief medical officer (oncology) in December 2020. He is primarily responsible for the clinical development of our oncology and Fc-fusion product candidates of our Group.

Prior to joining our Group, Dr. Bishop worked at National Cancer Institute of National Institutes of Health as a medical oncologist and associate investigator from June 1999 to February 2003. He also worked at U.S. Food and Drug Administration as a medical officer from December 1999 to February 2003. From February 2003 to January 2005, Dr. Bishop served at Sanofi-Aventis, a pharmaceutical company in the U.S., as a global clinical director, where he was mainly responsible for product development. From January 2005, he served as a senior director at Johnson & Johnson Pharmaceutical Research & Development, L.L.C. From December 2007, he worked at Genentech, Inc., a biotechnology company, as a vice president responsible for development of oncology. From December 2014, he worked at Gilead Sciences, Inc. as a senior vice president responsible for heading hematology/oncology in Research & Development Executive Administrative department. From May 2017, he served as the executive vice president and chief medical officer of ARATINGA.BIO, INC.

Dr. Bishop obtained his bachelor's degree of science in biology from Loyola Marymount University in May 1985 in the U.S. and doctor of medicine in May 1993 from University of Nevada School of Medicine in the U.S.

Dr. Xiaobing LI, aged 54, was appointed as our executive vice president in July 2020. She is the head of product development and program & portfolio management of our Group.

Prior to joining our Group, Dr. Li served several positions in Janssen Pharmaceuticals, Inc., a pharmaceutical company whose shares are listed on the New York Stock Exchange (stock symbol: JNJ), including scientist and director from October 1996 to September 2010. From September 2010 to July 2014, she worked at Alkermes Plc, a pharmaceutical company whose shares are listed on the NASDAQ (stock symbol: ALKS), where she was mainly responsible for global program lead and execution as a director. From July 2014 to March 2016, she worked at Ironwood Pharmaceuticals, Inc., a pharmaceutical company whose shares are listed on the NASDAQ (stock symbol: IRWD) as a senior director. From April 2016 to May 2018, Dr. Li served as a senior director and development team lead of SAGE Therapeutics Inc, a pharmaceutical company whose shares are listed on the NASDAQ (stock symbol: SAGE). From May 2019, she served as a vice president of program management at Voyager Therapeutics Inc, a pharmaceutical company whose shares are listed on the NASDAQ (stock symbol: VYGR).

Dr. Li obtained her bachelor's degree in chemistry from Nankai University (南開大學) in July 1989 in the PRC, Ph.D. in organic chemistry from Princeton University in January 1994 in the U.S., and the master of business administration from Colorado State University in May 2012 in the U.S. Dr. Li obtained the project management professional certificate from Project Management Institute in July 2005 in the U.S.

Dr. Michael BERRY, aged 57, was appointed as our chief technical operation officer in March 2021. He is primarily responsible for manufacturing, supply chain, and quality of our Group.

Prior to joining our Group, Dr. Berry served as a director in ARCA Bio Pharma Inc., where he was engaged in managing process development, technology transfer and scale-up and manufacturing of drug substance, from April 2005 to May 2009. From April 2010 to September 2013, he worked in Novartis Diagnostics as a director of manufacturing sciences and technology. From October 2013 to February 2015, he worked at Portola Pharmaceuticals as a senior director of bioprocess development. From February 2015 to August 2017, he worked at Dynavax Technologies as a vice president responsible for development and manufacturing sciences.

Dr. Berry obtained his bachelor's degree of science in life sciences from Leicester Polytechnic in June 1985 in the U.K., his master's degree in chemical engineering, applied biochemistry and molecular biology of science from Victoria University of Manchester in July 1987 in the U.K., and his Ph.D. in microbiology from University of Manitoba in May 1996 in Canada.

Mr. Phillip Eric LEE, aged 35, was appointed as our chief financial officer in January 2021 and our chief operating officer in February 2022. Mr. Lee served as our chief business officer from January 2021 to February 2022. He is primarily responsible for finance and accounting, business operations, human resources, information technology, and investor relations of our Group.

Prior to joining our Group, Mr. Lee served at Merrill Lynch as an analyst from July 2008 to May 2009, where he mainly advised the biotech industry. From June 2009 to July 2015, he served in positions of increasing responsibility at Centerview Partners LLC, an investment bank, with his last position being a principal. From August 2015 to January 2016, he worked at Avalanche Biotech, a NASDAQ listed company (stock symbol: ADVM), as an associate director, where he was mainly responsible for financial planning and analysis. From December 2015 to March 2018, he joined Cytokinetics, Inc., a pharmaceutical company whose shares are listed on the NASDAQ (stock symbol: CYTK), as a director and was subsequently promoted to senior director since November 2017. From April 2018 to January 2021, he served as a senior director and was subsequently promoted to vice president at 4D Molecular Therapeutics, Inc., a biotech company whose shares are listed on the NASDAQ (stock symbol: FDMT), where he was mainly responsible for overseeing the finance function.

Mr. Lee obtained his bachelor's degrees in business administration and electrical engineering computer science from University of California, Berkeley in May 2008 in the U.S.

Mr. Brian KREX, aged 55, was appointed as our general counsel in February 2021. He is primarily responsible for legal affairs of our Group.

Prior to joining our Group, Mr. Krex worked at Moses & Singer LLP, a law firm, as an associate from November 2000 to March 2006. From April 2006 to March 2015, he worked at Pfizer Inc, serving in a variety of positions of increasing seniority, with a final position as chief counsel of the U.S. Innovative Business Unit. From April 2015 to March 2019, he served as the head of commercial and regulatory law department for Alexion Pharmaceuticals, Inc. From March 2019 to September 2020, he served as the general counsel of AGTC.

Mr. Krex obtained his bachelor degree in American history from Bard College in May 1990 in the U.S and his juris doctor degree in law from Seton Hall University School of Law in June 1996 in the U.S.

JOINT COMPANY SECRETARIES

Mr. Brian KREX, aged 55, one of our joint company secretaries ("**Joint Company Secretaries**"), was appointed on April 19, 2021. Mr Krex is also our general counsel. For details, please see "Other Management" above.

Ms. CHAU Hing Ling (周慶齡), aged 47, was appointed as the Joint Company Secretary of the Company on December 22, 2021. Ms. Chau joined Vistra Corporate Services (HK) Limited since June 2013 and now serves as a director of corporate services, where she leads a team of professional staff to provide a full range of corporate services and listed company secretary services. Prior to joining Vistra Corporate Services (HK) Limited, she was an associate director of corporate services of an international corporate services provider.

Ms. Chau has over twenty years of experience in the corporate services industry. She is currently the company secretary of BeiGene, Ltd., a company listed on the Main Board of the Stock Exchange (stock code: 6160), China PengFei Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 3348) and Dexin China Holdings Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2019) and the joint company secretary of Persta Resources Inc., a company listed on the Main Board of the Stock Exchange (stock code: 3395), COFCO Joycome Foods Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1610), Guangdong Kanghua Healthcare Co., Ltd. a company listed on the Main Board of the Stock Exchange (stock code: 3689), China Beststudy Education Group, a company listed on the Main Board of the Stock Exchange (stock code: 3978) and Viva Biotech Holdings, a company listed on the Main Board of the Stock Exchange (stock code: 1873) respectively.

Ms. Chau obtained a master of laws majoring in corporate and financial law from The University of Hong Kong in November 2007. She has been a fellow member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and a fellow member of The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in United Kingdom since May 2013.

CHANGES TO DIRECTORS' INFORMATION

Save as disclosed herein, the Directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

The Board is pleased to present this report of Directors together with the consolidated financial statements of the Group for the year ended December 31, 2021.

BOARD OF DIRECTORS

The Board currently comprises of two executive Directors, three non-executive Directors and four independent non-executive Directors.

The Directors during the year ended December 31, 2021 and as of the date of this annual report are:

Executive Directors

Dr. LIANG Peng (Chairman of the Board)
Mr. LIANG Joshua G

Non-executive Directors

Dr. WANG Xiaodong (appointed on March 16, 2021)
Mr. XIAO Ting (肖汀) (appointed on March 16, 2021)
Mr. LYU Dong (呂東) (appointed on March 16, 2021)

Independent Non-executive Directors

Dr. WU Xiaobin (appointed on September 26, 2021)
Mr. LIAO Xiang (appointed on September 26, 2021)
Mr. Jeffrey FARROW (appointed on September 26, 2021)
Mr. Thomas LEGGETT (appointed on September 26, 2021)

GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on October 31, 2018 as an exempted limited liability company under the laws of the Cayman Islands. The Company's Shares were listed on the Main Board of the Stock Exchange on November 5, 2021.

PRINCIPAL ACTIVITIES

We are a global, clinical-stage biotechnology company committed to developing novel vaccines and biologic therapeutic candidates.

Since our inception in 2007, we have had a clear focus on translating cutting-edge science into solutions to address significant unmet medical needs. We started with the Trimer-Tag™ technology platform, established in-house research and development capabilities in Chengdu, Sichuan province, PRC, built out a commercial-scale manufacturing facility in Changxing, Zhejiang province, PRC, and along the journey have assembled and continued to build a world-class team to evolve the Company into the organization it is today.

For further details of the Company's principal activities, please see the section headed "Business Review" under "Management Discussion and Analysis" of this annual report.

There were no significant changes in the nature of the Company's principal activities during the Reporting Period.

BUSINESS REVIEW AND RESULTS

A review of the business of the Group during the Reporting Period and future prospects are provided in the section headed "Business Review" under "Management Discussion and Analysis" of this annual report. An analysis of the Group's financial performance during the Reporting Period is provided in the section headed "Financial Review" under "Management Discussion and Analysis" of this annual report.

The results of the Group for the Reporting Period are set out in the consolidated financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

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

- If we are unable to successfully complete clinical development, obtain regulatory approval and commercialize our product candidates, or experience significant delays in doing so, our business will be significantly harmed;
- If we encounter difficulties enrolling patients or participants in our clinical trials, our clinical development activities could be delayed and result in increased costs and longer development periods or otherwise adversely affected;
- If clinical trials of our product candidates fail to demonstrate safety and efficacy to the satisfaction of regulatory authorities or do not otherwise produce positive results, we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of our product candidates;
- Clinical development involves a lengthy and expensive process with an uncertain outcome, and results of earlier studies and trials may not be predictive of future trial results;
- The regulatory approval processes of the EMA, the NMPA, and WHO and other comparable regulatory authorities are lengthy, time-consuming and inherently unpredictable. If we are ultimately unable to obtain regulatory approval for our product candidates, our business will be substantially harmed;
- We are at risk of governmental actions that are detrimental to our business, such as product seizure, resumed price controls and additional regulations imposed on our SCB-2019 (CpG 1018/Alum);
- Our rights to develop and commercialize our Trimer-Tag™ pipeline products are subject, in part, to the terms and conditions of licenses granted to us by our licensor GenHunter;
- If we are unable to maintain sufficient distribution, marketing, and sales capabilities, we may not be able to generate product sales revenues;
- The clinical development and regulatory pathway for COVID-19 vaccines is highly dynamic and continues to evolve and may result in unexpected or unforeseen delays or challenges;
- The manufacture of biologics is a complex process which requires significant expertise and capital investment, and if we encounter problems in manufacturing our future products, our business could suffer;

- If we are unable to obtain and maintain patent protection for our product candidates or the Trimer-Tag™ technology platform, or if the scope of such intellectual property rights obtained is not sufficiently broad, third parties could develop and commercialize products and technologies similar or identical to ours and compete directly against us, and our ability to successfully commercialize any product or technology may be adversely affected;
- We engage CROs to conduct certain elements of our pre-clinical studies and clinical trials. If these third parties do not successfully carry out their contractual duties, meet expected deadlines, or comply with regulatory requirements, we may not be able to obtain regulatory approval for or commercialize our product candidates and our business could be substantially harmed; and
- We have entered into collaborations and may form or seek collaborations or strategic alliances or enter into licensing arrangements in the future, and we may not realize the benefits of such alliances or licensing arrangements.

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

Our corporate vision and mission are intricately linked with social responsibility in promoting sustainability and protecting the environment.

We are subject to, and we comply with the environmental protection and occupational health and safety laws and regulations in China. In 2021, we did not have any material incidents or complaints, and no incident or complaints had a material and adverse effect on our business, financial condition or results of operations. Besides China, we also have limited R&D and business operations overseas. Regardless of the scale of our operations, we make every effort to ensure that we are compliant with all local laws and regulations in the jurisdictions where we operate.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. For the year ended December 31, 2021 and up to the date of this annual report, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

EMPLOYEE AND REMUNERATION POLICIES

As of December 31, 2021, the Group had 814 employees.

The number of employees of the Group varies from time to time depending on need. The remuneration package of our employees includes salary, bonus and equity incentives, which are generally determined by their qualifications, industry experience, title and performance. The Company makes contributions to social insurance and housing provident funds in accordance with relevant laws and regulations.

The Company also has adopted the Pre-IPO Share Option Plan, the RSU Scheme and the Post-IPO Share Option Plan to provide rewards or incentives to eligible participants for their contribution or potential contribution to the Group. Please refer to the sections headed "Pre-IPO Share Option Plan", "RSU Scheme" and "Post-IPO Share Option Plan" in this annual report for further details.

The total remuneration cost incurred by the Group for the year ended December 31, 2021 was RMB460.3 million.

For the year ended December 31, 2021, the Group did not experience any material labor disputes or strikes that may have a material and adverse effect on our business, financial condition or results of operations, or any difficulty in recruiting employees.

MAJOR SUPPLIERS

During the Reporting Period, our suppliers primarily consisted of suppliers of CROs and CDMOs, raw materials and consumables, and equipment and devices.

For the year ended December 31, 2021, purchases from the Group's five largest suppliers accounted for approximately 62.3% (2020: 50.8%) of the Group's total purchase amount in the same year. Purchases from the Group's largest supplier for the year ended December 31, 2021 accounted for approximately 28.2% (2020: 22.3%) of the Group's total purchase amount for the same year.

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

For the year ended December 31, 2021, the Group did not experience any significant disputes with its suppliers.

MAJOR CUSTOMERS

The Group currently has no products for commercial sale and did not generate any revenue from product sales for the year ended December 31, 2021.

KEY RELATIONSHIP WITH STAKEHOLDERS

The Group recognizes that various stakeholders including suppliers, employees, Shareholders and other business associates are key to the Group's success. The Group strives to achieve corporate sustainability through engaging, collaborating, and cultivating strong relationship with them.

Relationship with Our Employees

We endeavor to cultivate talented and loyal employees by treating our employees with dignity, respect and fairness. We conduct new employee training, as well as professional and compliance training programs for employees. We enter into employment contracts with our employees to cover matters such as wages, benefits and grounds for termination. The remuneration package of our employees usually includes salary, bonus and equity incentives, which are generally determined by their qualifications, industry experience, title and performance. We make contributions to social insurance and housing provident funds in accordance with relevant laws and regulations.

Relationship with Shareholders

We recognize the importance of protecting the interests of the Shareholders and of having effective communication with them. We believe communication with the Shareholders is a two-way process and have thrived to ensure the quality and effectiveness of information disclosure, maintain regular dialogue with the Shareholders and listen carefully to the views and feedback from the Shareholders. This has been done through general meetings, corporate communications, annual reports and results announcements.

Relationship with Suppliers

The Group selects its suppliers by considering their product quality, industry reputation and compliance with relevant regulations and industry standards. The Group has maintained strict control over the quality of services offered by its suppliers. The Group understands the importance of maintaining a good relationship with its suppliers to meet its immediate and long-term goals. It strives to cultivate a mutually beneficial and trusting relationship with its suppliers so that they are able to deliver services of the highest standard in an efficient manner.

Further details are set out in the "Environmental, Social and Governance Report" of this annual report.

FINANCIAL SUMMARY

A summary of the consolidated operating results and the assets and liabilities of the Group for the last three financial years, as extracted from the published audited consolidated financial statements, is set out in the section headed "Three-Year Financial Summary" of this annual report. This summary does not form part of the audited consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

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

SUBSIDIARIES

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group for the year ended December 31, 2021 are set out in Note 13 to the consolidated financial statements.

SHARE CAPITAL AND SHARES ISSUED

Details of movements in the share capital of the Company for the year ended December 31, 2021 and details of the Shares issued for the year ended December 31, 2021 are set out in Note 24 to the consolidated financial statements.

DEBENTURE ISSUED

During the year ended December 31, 2021, the Company did not issue any convertible bonds except for the convertible promissory notes (the "**Convertible Notes**") issued by the Company in relation to the series C investment. For further details of the issuance and conversion of the Convertible Notes, please refer to the section headed "History, Reorganization and Corporate Structure" in the Prospectus. Save for this, the Group did not issue any debenture for the year ended December 31, 2021.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Group from the Listing Date to December 31, 2021.

DIVIDENDS

The Board did not recommend the distribution of a final dividend for the year ended December 31, 2021.

PERMITTED INDEMNITY

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

Such permitted indemnity provision has been in force for the year ended December 31, 2021. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

DISTRIBUTABLE RESERVES

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

As of December 31, 2021, the Company's reserves available for distribution from share premium less accumulated losses, calculated in accordance with the provisions of Companies Law of the Cayman Islands, amounted to approximately RMB4,094.6 million (2020: nil).

Details of movements in the reserves of the Group and the Company during the year ended December 31, 2021 are set out in the section headed "Consolidated Statement of Changes in Equity" and note 34 to the consolidated financial statements.

BANK LOANS AND OTHER BORROWINGS

As of December 31, 2021, the Group did not have any bank loans or other borrowings.

LOAN AGREEMENT WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDERS

As of the date of this annual report, the Company has not entered into any loan agreement which contains covenants requiring specific performance of the Controlling Shareholders.

DIRECTORS' SERVICE CONTRACTS

Each of our executive Directors has entered into a service contract with our Company on September 26, 2021. The initial term of the service contracts shall commence from the date of his appointment and continue for a period of three years after or until the third annual general meeting of the Company from the Listing Date, whichever is earlier, and shall be automatically renewed for successive periods of three years, until otherwise terminated.

Each of our non-executive Directors and independent non-executive Directors has entered into an appointment letter with our Company on September 26, 2021. The initial term for the appointment letters shall commence from the date of his appointment and continue for a period of three years after or until the third annual general meeting of the Company since the Listing Date, whichever is earlier, and shall be automatically renewed for successive periods of three years, until otherwise terminated.

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

None of the Directors has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "– Connected Transactions" below, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended December 31, 2021.

DIRECTORS AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

None of the Directors and the Controlling Shareholders had any interest in any business which competes with or is likely to compete with the businesses of the Group for the year ending December 31, 2021.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed for the year ended December 31, 2021.

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

As of December 31, 2021, the interests and short positions of the Directors or chief executives of our Company and their associates in any of the Shares, underlying Shares and debentures of our Company or its associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Director or Chief Executive	Nature of Interest	Number of Shares/ Underlying Shares Held (Long position)	Approximate Percentage of Shareholding Interest[7]
Dr. Liang	Beneficial owner	206,500,000	17.83%
	Beneficial owner[1]	2,079,924	0.18%
	Interest of a party to an agreement[2]	17,500,000	1.51%
	Interest of a party to an agreement[3]	56,000,000	4.84%
Mr. Joshua Liang	Beneficial owner	17,500,000	1.51%
	Beneficial owner[4]	3,639,867	0.31%
	Interest of a party to an agreement[2]	206,500,000	17.83%
	Advisor of a trust[5]	77,350,000	6.68%
Dr. WANG Xiaodong	Beneficial owner[6]	416,500	0.04%
	Beneficial owner	28,000,000	2.42%
Dr. WU Xiaobin	Beneficial owner[6]	416,500	0.04%
Mr. LIAO Xiang	Beneficial owner[6]	416,500	0.04%
Mr. Jeffrey FARROW	Beneficial owner[6]	416,500	0.04%
Mr. Thomas LEGGETT	Beneficial owner[6]	416,500	0.04%

Notes:

1. Referring to the Shares underlying the RSUs granted to Dr. Liang under the RSU Scheme as of December 31, 2021.

2. Pursuant to the Acting-in-concert Deed, Dr. Liang and Mr. Joshua Liang agreed to act in concert by aligning their votes at Shareholders' meetings of the Company. Therefore, they were deemed to be jointly interested in the aggregate number of Shares held by each other.

3. Pursuant to the voting proxy agreements entered into on March 16, 2021 by each of Dr. WANG Xiaodong, Mr. ZHU Jianwei, Mr. JIANG Pu and Mr. PING Zheng (the "**Grantors**") and Dr. Liang, respectively, each of the Grantors granted the voting right of the Shares held by them to Dr. Liang. Therefore, Dr. Liang was deemed to be interested in the Shares held by the Grantors under the SFO.

4. Referring to the Shares underlying the RSUs granted to Mr. Joshua Liang under the RSU Scheme as of December 31, 2021.

5. The Core Trust Company Limited is the trustee for the RSU Scheme. Under the trust deed, Mr. Joshua Liang is able to exercise voting rights attached to the Shares held by Super Novel. Super Novel is wholly owned by TCT (BVI) Limited, which is in turn wholly owned by The Core Trust Company Limited. Therefore, each of The Core Trust Company Limited and TCT (BVI) Limited was deemed to be interested in the Shares held by Super Novel.

6. Referring to the Shares underlying the RSUs granted to each of these Directors under the RSU Scheme as of December 31, 2021.

7. Calculated based on 1,158,114,723 total issued Shares of these Company as of December 31, 2021.

Save as disclosed above, as of December 31, 2021, none of the Directors or chief executives of the Company or their associates had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations.

On March 31, 2022, the Company granted a total of 11,326,000 options and 383,000 RSUs to certain of the Directors pursuant to the terms of the Post-IPO Share Option Plan and the RSU Scheme, respectively. For further details, please refer to the announcement of the Company dated March 31, 2022.

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

As of December 31, 2021, the following persons (other than the Directors or chief executives of the Company or their associates) had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of the Company or any other members of the Group:

LONG POSITIONS IN THE SHARES OF THE COMPANY

Name of substantial shareholder	Nature of interest	Shares/Underlying Shares Held as of December 31, 2021	
		Number of Shares	Approximate percentage[6]
JNRY[1]	Beneficial owner	98,796,257	8.53%
AUT-XXI[1]	Beneficial owner	72,797,172	6.29%
Aranda[2]	Beneficial owner	110,424,757	9.53%
Shanghai Tianhe[3]	Beneficial owner	70,000,000	6.04%
Ms. WANG Shibi[3]	Interest in controlled corporation	100,600,000	8.69%
Elasa[4]	Beneficial owner	73,059,413	6.31%
Lapam Fund IV[5]	Beneficial owner	49,213,878	4.25%
Lapam Fund III[5]	Beneficial owner	35,152,768	3.04%

Notes:

(1) AUT-XXI HK Holdings Limited ("**AUT-XXI**") is wholly owned by AUT-XXI Holdings Limited ("**AUT Holding**"). The sole shareholder of AUT Holding is HH IMV Holdings, L.P. ("**HH IMV**"). The sole limited partner of HH IMV is Hillhouse Fund IV, L.P. ("**Hillhouse Fund**"), which is managed and controlled by Hillhouse Investment Management, Ltd. ("**Hillhouse Investment**"). Therefore, each of AUT Holding, HH IMV, Hillhouse Fund, Hillhouse Investment and HH IMV Holdings GP, Ltd. was deemed to be interested in the Shares held by AUT-XXI under the SFO.

JNRY V Holdings Limited ("**JNRY**") is ultimately managed and controlled by Hillhouse Investment. Therefore, each of Hillhouse Investment and HH IMV Holdings GP, Ltd. was deemed to be interested in the Shares held by JNRY under the SFO.

In addition, HHLR Fund, L.P. and YHG Investment, L.P., being close associates of JNRY and AUT-XXI, are also deemed to be interested in the 12,791,000 Shares subscribed by them through the cornerstone investment. For details, please see "Cornerstone Investors" in the Prospectus and the Company's announcement of offer price and allotment results dated November 4, 2021.

(2) Aranda Investments Pte. Ltd. ("**Aranda**") is a wholly owned subsidiary of Seletar Investments Ptd Ltd ("**Seletar**"). Seletar is wholly owned by Temasek Capital (Private) Limited ("**Temasek Capital**"), which is in turn wholly owned by Temasek Holdings (Private) Limited ("**Temasek Holdings**"). As such, each of Seletar, Temasek Capital and Temasek Holdings was deemed to be interested in the Shares held by Aranda under the SFO.

(3) Chengdu Tianhe Conventional Chinese and Medicine Technology Nurture Co., Ltd. (成都天河中西醫科技保育有限公司) ("**Chengdu Tianhe**") is a limited partner and holds 99% of the equity interest in Shanghai Tianhe Shengtai Enterprise Management Partnership (Limited Partnership) (上海天合生泰企業管理合夥企業(有限合夥)) ("**Shanghai Tianhe**"). Chengdu Tianhe was controlled by Ms. Shibi Wang as to 78% of the equity interests. (成都和濟生健康科技有限公司) ("**Chengdu Heji**") is the general partner of Shanghai Tianhe. Chengdu Heji is wholly controlled by (成都標匯檢測技術有限公司) ("**Chengdu Biaohui**"). Chengdu Biaohui is wholly controlled by Chengdu Tianhe. Therefore, each of Chengdu Tianhe, Chengdu Heji, Chengdu Biaohui and Ms. Shibi Wang was deemed to be interested in the Shares in which Shanghai Tianhe was interested under the SFO.

Sichuan Tianhe is managed by its general partner, Chengdu Ronghui Datong Equity Investment Fund Management Co., Limited (成都融匯大通股權投資基金管理有限公司) ("**Ronghui Datong**"). Ronghui Datong was controlled by Chengdu Tianhe which held 70% equity interests in Ronghui Datong. Therefore, each of Ronghui Datong and Ms. Shibi Wang was deemed to be interested in the Shares in which Sichuan Tianhe was interested under the SFO.

(4) Elasa is an exempted company wholly owned by Delos Capital Fund II, LP ("**Delos Capital**"), an exempted limited partnership registered as private fund under the Private Funds Law of the Cayman Islands. Delos Capital is controlled by Delos Capital GP II, LP. Therefore, each of Delos Capital and Delos Capital GP II, LP was deemed to be interested in the Shares in which Elasa was interested under the SFO.

(5) Beijing Lapam Healthcare Investment Center (Limited Partnership) (北京龍磐健康醫療投資中心(有限合夥)) ("**Lapam Fund III**"), is a limited partnership established under the laws of the PRC. The general partner of Lapam Fund III is Tibet Lapam Yijing Chuangye Investment Center (Limited Partnership) (西藏龍磐怡景創業投資中心(有限合夥)) ("**Tibet Yijing**"), which is in turn managed by its general partner, Beijing Lapam Investment Management Consulting Center (General Partnership) (北京龍磐投資管理諮詢中心(普通合夥)) ("**Lapam Investment**"). The general partner of Lapam Investment is Mr. Zhihua Yu (余治華). The single largest limited partner of Lapam Investment is Tibet Lapam Management Consulting Center (Limited Partnership) (西藏龍磐管理諮詢中心(有限合夥)) ("**Tibet Lapam Consulting**") which is controlled by Mr. Zhihua Yu.

Hangzhou Yuhang Lapam Healthcare Equity Investment Fund Partnership Enterprise (Limited Partnership) (杭州余杭龍磐健康醫療股權投資基金合夥企業(有限合夥)) ("**Lapam Fund IV**"), is a limited partnership established under the laws of the PRC. The general partner of Lapam Fund IV is Tibet Lapam Consulting that is controlled by Mr. Zhihua Yu. The single largest limited partner of Lapam Fund IV is National Council for Social Security Fund (全國社會保障基金理事會), which is controlled by the State Council of China.

(6) Calculated based on 1,158,114,723 total issued Shares of the Company as of December 31, 2021.

Save as disclosed above, as at December 31, 2021, so far as the Directors are aware, no person, other than the Directors or chief executives of the Company whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares and Debentures of the Company or Any of its Associated Corporations" above, had any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

PRE-IPO SHARE OPTION PLAN

The Pre-IPO Share Option Plan was approved and adopted by the resolutions of the Board and the Shareholders dated April 15, 2021. The terms of the Pre-IPO Share Option Plan are not subject to the provisions of Chapter 17 of the Listing Rules.

The following is a summary of the principal terms of the Pre-IPO Share Option Plan.

(a) Purpose of the Pre-IPO Share Option Plan

The purpose of the Pre-IPO Share Option Plan is to enable the Company to grant options to eligible participants as incentives or rewards for their contribution or potential contribution to the Group.

(b) Who May Join

Eligible participants include:

(i). any full-time employees of the Group or any of the company in which the Company or any subsidiary has any equity interest (the "**Invested Entity**");

(ii). any non-executive directors of the Group or any of the Invested Entities but excluding any independent non-executive directors;

(iii). consultants and advisors, provided that such consultants and advisors render bona fide services and that such services are not in connection with the offer and sale of securities in a capital-raising transaction; and

(iv). general partners.

The options under this Pre-IPO Share Option Plan can be granted to any company wholly owned by one or more eligible participants, or any discretionary trust where any eligible participant is a discretionary object.

(c) Maximum Number of Shares Available for Subscription

The maximum number of Shares in respect of which options may be granted under the Pre-IPO Share Option Plan is 25,947,096 Shares (the "**Plan Limit**"), representing approximately 2.24% of the total Shares in issue as of the date of this annual report. Option lapsed and/or canceled in accordance with the terms of this plan shall not be counted for the purpose of calculating the Plan Limit, and the number of Shares in respect of which options may be granted under this plan shall be increased by the same number of options lapsed and/or canceled.

(d) Exercise Price

The exercise price in relation to each option offered to an eligible participant shall, subject to the adjustments as a result of capital restructuring in accordance with the Prospectus, be a price that is set out in the offer notice representing not less than the par value of a Share.

(e) Duration of the Pre-IPO Share Option Plan

The Pre-IPO Share Option Plan shall be valid and effective for a period commencing on the date of its adoption and ending immediately prior to the Listing Date (both dates inclusive). No further options shall be granted under this plan after the Listing Date but the provisions of this Plan shall in all other respects remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of this plan and options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with this plan.

(f) Outstanding Options

The table below shows details of the outstanding share options granted to all grantees under the Pre-IPO Share Option Plan as of December 31, 2021. No options were granted since the Listing Date and up to the date of this annual report.

Name	Date of Grant	Exercise Price	Number of Shares underlying the outstanding options as of the Listing Date	Number of options exercised from the Listing Date to December 31, 2021	Number of options lapsed during the period from the Listing Date to December 31, 2021	Number of Shares underlying the outstanding options as of December 31, 2021	Approximate percentage of the Shares underlying the outstanding options[2]
Connected Person							
Mr. JIANG Yuting (江宇霆)[1]	August 6, 2021	USD0.001	7,000	–	–	7,000	0.0006%
Other Grantees in aggregate							
Other Grantees	Between April 18, 2021 to October 11, 2021	USD0.001	19,646,886	–	42,000	19,604,886	1.6928%
Total			19,653,886	–	42,000	19,611,886	1.6934%

Notes:

(1) Mr. JIANG Yuting is the nephew of Dr. Liang, our executive Director, and therefore a connected person.

(2) Calculated based on 1,158,114,723 total issued Shares of the Company as of December 31, 2021.

Further details of the Pre-IPO Share Option Plan are set out in the Prospectus and note 25 to the consolidated financial statements.

RSU SCHEME

The RSU Scheme was approved and adopted by the resolutions of the Board and the Shareholders dated April 15, 2021, as amended from time to time. The purpose of the RSU Scheme is to enable the Company to grant RSUs to eligible participants as incentives or rewards for their contribution or potential contribution to the Group. The terms of the RSU Scheme are not subject to the provisions of Chapter 17 of the Listing Rules.

Pursuant to the RSU Scheme, the overall limit on the number of underlying Shares to be granted under the RSU Scheme is 77,350,000 Shares, which represents approximately 6.68% of the total issues share capital of the Company as of the date of this annual report.

As of December 31, 2021, 64 grantees were granted with RSUs with a total of 46,071,396 underlying Shares under the RSU Scheme. The table below shows the details of RSUs granted to Directors that are outstanding as of December 31, 2021.

Name	Position	Number of Shares underlying the Outstanding RSUs	Approximate Percentage of Equity Interest in the Company underlying the Outstanding RSUs[(note)]
Mr. Joshua Liang	Executive Director and chief executive officer	3,639,867	0.31%
Dr. Liang	Executive Director and chief scientific officer	2,079,924	0.18%
Dr. WANG Xiaodong	Non-executive Director	416,500	0.04%
Dr. WU Xiaobin	Independent non-executive Director	416,500	0.04%
Mr. LIAO Xiang	Independent non-executive Director	416,500	0.04%
Mr. Jeffrey FARROW	Independent non-executive Director	416,500	0.04%
Mr. Thomas Leggett	Independent non-executive Director	416,500	0.04%

Note: Calculated based on 1,158,114,723 total issued Shares of the Company as of December 31, 2021.

On March 31, 2022, the Company granted an aggregate of 383,000 RSUs representing 383,000 underlying Shares to six grantees, each being a Director, pursuant to the RSU Scheme. For further details, please refer to the announcement of the Company dated March 31, 2022.

POST-IPO SHARE OPTION PLAN

The Post-IPO Share Option Plan was approved and adopted by the resolutions of the Board and the Shareholders dated September 26, 2021, and is subject to the requirements under Chapter 17 of the Listing Rules.

The following is a summary of principal terms of the Post-IPO Share Option Plan.

(a) Purpose of the Post-IPO Share Option Plan

The purpose of the Post-IPO Share Option Plan is to enable the Company to grant options to eligible participants as incentives or rewards for their contribution or potential contribution to the Group.

(b) Who May Join

Eligible participants include:

(v). any full-time employees of the Group or any of the company in which the Company or any subsidiary has any equity interest (the "**Invested Entity**");

(vi). any non-executive directors of the Group or any of the Invested Entities;

(vii). consultants and advisors, provided that such consultants and advisors render bona fide services and that such services are not in connection with the offer and sale of securities in a capital-raising transaction; and

(viii). general partners.

The options under this Post-IPO Share Option Plan can be granted to any company wholly owned by one or more eligible participants, or any discretionary trust where any eligible participant is a discretionary object.

(c) Maximum Number of Shares Available for Subscription

At the time of adoption by the Company of the Post-IPO Share Option Plan or any new share option scheme (the "**New Scheme**"), the aggregate number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Plan, the New Scheme and all schemes, which became effective after the Shares were listed on the Stock Exchange, existing at such time (the "**Existing Scheme(s)**") of the Company must not in aggregate exceed 10% of the total number (i.e., 115,811,472) of Shares in issue as of the date the Shares commence trading on the Stock Exchange (i.e., 1,158,114,723) or the date of adoption of the New Scheme (as the case may be) (the "**Scheme Mandate Limit**"). 115,811,472 Shares represents approximately 10% of the total Shares in issue as at the date of this annual report. For the purposes of calculating the Scheme Mandate Limit, Shares which are the subject matter of any options that have already lapsed in accordance with the terms of the relevant Existing Scheme(s) shall not be counted.

(d) Maximum Entitlement of Each Eligible Participant

No option shall be granted to any eligible participants (the "**Relevant Eligible Participants**") if, at the relevant time of grant, the total number of Shares issued and to be issued upon exercise of all options and options under any other share option schemes of the Company (including those options granted and proposed to be granted, whether exercised, canceled or outstanding) to the Relevant Eligible Participants in the 12-month period up to and including the date of such grant would exceed 1% of the total number of shares in issue at such time, within any 12-month period unless approved by the Shareholders in accordance with the Listing Rules.

(e) Option Period

Option period (a period within which an option may be exercised) is to be determined and notified by the Board to each grantee during which the option may be exercised, which period shall expire in any event not later than last day of 10-year period after the date of grant of the option (subject to provisions for early termination contained in the Post-IPO Share Option Plan).

(f) Subscription Price

The price at which each Share subject to an option may be subscribed for on the exercise of that option (the "**Subscription Price**") shall be a price solely determined by the Board and notified to an eligible participant and shall be at least the highest of:

(i). the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a Business Day;

(ii). the average of the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the offer date; and

(iii). the nominal value of the Shares.

(g) Duration of the Post-IPO Share Option Plan

The Post-IPO Share Option Plan shall be valid and effective for a period of 10 years commencing on the date on which it is adopted by ordinary resolution of the Shareholders in general meeting, after which period, no further options shall be granted. Subject to the above, in all other respects, in particular, in respect of options remaining outstanding on the expiry of the 10-year period referred to in this paragraph, the provisions of the Post-IPO Share Option Plan shall remain in full force and effect.

(h) Outstanding Options

The Company had not made any grant under the Post-IPO Share Option Plan as of December 31, 2021.

On March 31, 2022, the Company granted an aggregate of 11,326,000 options to seven grantees, each being a Director, pursuant to the Post-IPO Share Option Plan. For further details, please refer to the announcement of the Company dated March 31, 2022.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time for the year ended December 31, 2021 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate; and none of the Directors, or any of their spouse or children under the age of 18, had any right to subscribe for equity or debt securities of the Company or any other body corporate, or had exercised any such right.

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

In compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code, the Company has established the Remuneration Committee to formulate remuneration policies. The remuneration is determined and recommended based on each Director's and senior management personnel's qualification, position, performance and seniority. As for the independent non-executive Directors, their remuneration is determined by the Board upon recommendation from the Remuneration Committee. The Directors and the senior management personnel are eligible participants of the Pre-IPO Share Option Plan, the RSU Scheme and the Post-IPO Share Option Plan.

Details of the remuneration of the Directors, management and the five highest paid individuals are set out in note 8 and note 9, respectively, to the consolidated financial statements.

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

For the year ended December 31, 2021, the Directors were granted discretionary bonuses of a total sum of RMB6.1 million. Save as disclosed above, none of the Directors were paid discretionary bonuses for the year ended December 31, 2021.

CONNECTED TRANSACTIONS

Details on related party transactions for the year ended December 31, 2021 are set out in note 29 to the consolidated financial statements. Save as the transactions under the Property Lease Agreements, the other related party transactions disclosed in Note 29 to the consolidated financial statements do not fall under the definition of "connected transaction" or "continuing connected transaction" pursuant to Chapter 14A of the Listing Rules. The Company had complied with the disclosure requirements set out in Chapter 14A of the Listing Rules. The following transactions constitute continuing connected transaction or one-off connected transaction for the Company and are required to be disclosed in this annual report in accordance with Rule 14A.71 of the Listing Rules.

Non-exempt Continuing Connected Transaction

License Agreement

Principal Terms

Pursuant to the license agreement entered into between GenHunter, being the licensor, and Sichuan Clover, being the licensee, dated October 14, 2019 (the "**License Agreement**"), GenHunter agreed to grant to Sichuan Clover, and Sichuan Clover agreed to accept, worldwide (the "**Territory**") and in the field (the "**Field**") of all biological drug products and research & development applications an exclusive license under relevant patents and patent applications, trademarks, and copyrights related to Trimer-Tag™ technology platform (together the "**GenHunter IP Rights**") to develop, manufacture and commercialize drug products (including the right to grant sublicense subject to GenHunter's approval). In consideration, Sichuan Clover agreed to pay GenHunter (i) a royalty of 2% on net sales of drug products (the "**Products**") developed by the Group using the GenHunter IP Rights (the "**Net Sales Royalty**") and (ii) a royalty of 20% of sublicense income (the "**Sublicense Income Royalty**"). GenHunter is a connected person to the Company because it is wholly owned by Dr. Liang, our executive Director and Controlling Shareholder. Therefore, the transaction under the License Agreement constitutes continuing connected transaction under Chapter 14A of the Listing Rules.

Reasons for and Benefits of the Transaction

As disclosed in the section headed "Business – Licensing and Collaboration Arrangements – License Agreement with GenHunter" in the Prospectus, GenHunter and Sichuan Clover entered into the License Agreement to ensure that the GenHunter IP Rights could be fully utilized by Sichuan Clover in development, manufacture and commercialization of the Products. As a result of the License Agreement, our Group held all of the relevant intellectual property rights to carry out our principal businesses and GenHunter would be able to benefit from the potential Net Sales Royalty and Sublicense Income Royalty generated thereunder. Therefore, our role and the role of GenHunter are complementary and beneficial to each other.

Annual Review and Confirmation by the Auditor of the Company

There was no Net Sales Royalty or Sublicense Income Royalty incurred for the year ended December 31, 2021. Therefore, the auditor of the Group has not reported on the above continuing connected transactions pursuant to Rule 14A.56 of the Listing Rules.

Annual Review by the Independent Non-executive Directors

The independent non-executive Directors have confirmed that the above continuing connected transaction: (i) has been entered into, and will be carried out, in the ordinary and usual course of business of our Group and on normal commercial terms or better to us and are fair and reasonable and are in the interests of our Company and our Shareholders as a whole; and (ii) the proposed annual caps in formula are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

For further details of the License Agreement, please refer to the section headed "Connected Transactions" in the Prospectus

One-off Connected Transaction

Property Lease Agreements

Our Company entered into a set of property lease agreements ("**Property Lease Agreements**") with Chengdu Tianhe between January 1, 2019 and December 7, 2021, pursuant to which our Group has leased properties with a total gross area of approximately 4,400 sq.m located at Chengdu Life and Pharmaceutical Industrial Incubator, Chengdu, Sichuan province, PRC, from Chengdu Tianhe primarily for its use as offices and pre-clinical laboratories. The terms of the Property Lease Agreements vary between two to seven years.

The lease and utility fees attributable to Chengdu Tianhe in relation to the leasing of properties for the year ended December 31, 2021 was approximately RMB3.7 million. The value of the lease liabilities to be recognized by the Company under the Property Lease Agreement amounted to approximately RMB11.5 million as at December 31, 2021, which represents the present value of aggregated lease payments to be made under the Property Lease Agreements in accordance with IFRS 16 as at December 31, 2021.

Chengdu Tianhe is owned as to 78% by Ms. WANG Shibi, who is a former director of Sichuan Clover within the 12 months prior to the entering into of the Property Lease Agreements. Therefore, Chengdu Tianhe is an associate of Ms. WANG Shibi. In accordance with IFRS 16 "Leases" (which became effective from January 1, 2019), the Company recognized a right-of-use asset on its balance sheet in connection with the lease of the properties from Chengdu Tianhe. Therefore, the entering into of the Property Lease Agreements by the Company will be regarded as an acquisition of a capital asset and a one-off connected transaction of the Company for the purposes of the Listing Rules. Accordingly, the reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 14A of the Listing Rules will not be applicable.

For further details of the Property Lease Agreements, please refer to the section headed "Connected Transactions" in the Prospectus.

Save for disclosed above, from the Listing Date to December 31, 2021, we have not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the Rules 14A.49 and 14A.71 of the Listing Rules.

CONTRACT OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions" above, no contract of significance was entered into between the Company, or one of its subsidiary companies, and any of its Controlling Shareholders or subsidiaries for the year ended December 31, 2021.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company from the Listing Date to December 31, 2021.

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration for the year ended December 31, 2021. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the year ended December 31, 2021.

USE OF NET PROCEEDS FROM GLOBAL OFFERING

The Company's Shares were listed on the Stock Exchange on November 5, 2021. The net proceeds from the Global Offering amounted to approximately HKD1,884.3 million (equivalent to RMB1,549.0 million). As of December 31, 2021, approximately 11.3% of the net proceeds of the Global Offering had been utilized as follows:

Function	% of use of proceeds (Approximately)	Planned application of net proceeds from the Global Offering *HKD million*	Planned application of net proceeds from the Global Offering *RMB million*	Actual usage up to December 31, 2021 *RMB million*	Unutilised net proceeds as of December 31, 2021 *RMB million*
For regulatory submission, commercial preparation and launch, and post-marketing studies of SCB-2019 (CpG 1018/Alum)	35.0%	659.5	542.2	54.1	488.1
For the research and development and regulatory submission for second-generation COVID-19 vaccine candidates	25.0%	471.1	387.3	13.3	374.0
For the research and development and commercial preparation and launch of SCB-808	5.0%	94.2	77.4	3.8	73.6
For the research and development of SCB-313	12.5%	235.6	193.6	11.5	182.1
For the research and development of other product candidates	10.0%	188.4	154.9	22.2	132.7
For working capital and other general corporate purposes	12.5%	235.5	193.6	70.8	122.8
Total	**100.0%**	**1,884.3**	**1,549.0**	**175.7**	**1,373.3**

Notes:

1. The net proceeds have been and will be utilized in accordance with the purposes set out in the Prospectus. The unutilized net proceeds is expected to be fully utilized by December 31, 2023. The expected timeline for utilizing the remaining proceeds is based on the best estimation of the future progress of R&D and market conditions made by the Company. It will be subject to change based on the current and future development of market conditions.

2. The net proceeds were received in HKD and translated to RMB for application planning. As of December 31, 2021, the unused net proceeds were deposited with certain licensed banks in Hong Kong and the PRC.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed percentage of public float under the Listing Rules.

AUDITOR

The Company's Shares were listed on the Stock Exchange on November 5, 2021, and there has been no change in auditor since the Listing Date. The consolidated financial statements of the Group as of December 31, 2021 have been audited by Ernst & Young, who will retire and being eligible, offer themselves for re-appointment at the AGM. A resolution for the re-appointment of Ernst & Young as the auditor of the Company will be proposed at the AGM.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this annual report, we do not have any plan for material investments and capital assets.

CLOSURE OF REGISTER OF MEMBERS AND RECORD DATE

The register of members of the Company will be closed from Tuesday, May 24, 2022 to Friday, May 27, 2022, both days inclusive, in order to determine the eligibility of the Shareholders to attend and vote at the AGM to be held on May 27, 2022. In order to be eligible to attend and vote at the AGM, all transfer accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on May 23, 2022.

By Order of the Board
Clover Biopharmaceuticals, Ltd.
Dr. Peng LIANG
Chairman of the Board

Shanghai, PRC, April 19, 2022

CORPORATE GOVERNANCE REPORT

The Board presents this corporate governance report in the Group's annual report for the year ended December 31, 2021.

CORPORATE GOVERNANCE PRACTICES

The Company strives to achieve high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders and to enhance corporate value and accountability.

The Company has adopted the principles and code provisions of the Corporate Governance Code as the basis of the Company's corporate governance practices. As the Shares were listed on the Stock Exchange with effect from the Listing Date, the Corporate Governance Code did not apply to the Company during the period before the Listing Date.

The Company regularly reviews its compliance with the Corporate Governance Code and the Board believes that the Company was in compliance with the applicable code provisions of the Corporate Governance Code from the Listing Date to December 31, 2021.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code. Specific enquiries have been made to all Directors and the Directors have confirmed that they have complied with the Model Code from the Listing Date to December 31, 2021.

The Company has also established a policy on unpublished price-sensitive information ("**Inside Information**") to comply with its obligations under the SFO and the Listing Rules. In the case the Company becomes aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors and relevant employees in advance.

The Company's relevant employees, who are likely to be in possession of Inside Information of the Company, have also been subject to the Model Code. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company from the Listing Date to December 31, 2021.

BOARD OF DIRECTORS

The Board currently comprises two executive Directors, three non-executive Directors and four independent non-executive Directors.

The composition of the Board is as follows:

Executive Directors:

Dr. LIANG Peng *(Chairman of the Board)*
Mr. LIANG Joshua G *(Chief Executive Officer)*

Non-executive Directors:

Dr. WANG Xiaodong
Mr. XIAO Ting (肖汀)
Mr. LYU Dong (呂東)

Independent Non-executive Directors:

Dr. WU Xiaobin
Mr. LIAO Xiang
Mr. Jeffrey FARROW
Mr. Thomas LEGGETT

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

Save that Dr. Liang is the father of Mr. Joshua Liang, none of the members of the Board is related to one another.

Board /General Meetings and Attendance record of Directors

Code provision C.5.1 of Part 2 of the Corporate Governance Code stipulates that board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communication.

Apart from regular Board meetings, the Chairman should hold meetings with the independent non-executive Directors without the presence of other Directors each year.

Due to the fact that the Company was only listed on November 5, 2021, one Board meeting was held during the period from the Listing Date to December 31, 2021. Our Company expects to comply with the code provision C.5.1 of Part 2 of the Corporate Governance Code by convening at least four regular meetings in each financial year at approximately quarterly intervals.

No shareholder meeting was held during the period from the Listing Date to December 31, 2021.

Independent Non-executive Directors

Since the Listing Date to December 31, 2021, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

Appointment, Re-election and Removal of Directors

Each of the executive Directors entered into a service contract with the Company on September 26, 2021. The initial term of their respective service agreements commenced from September 26, 2021 and will continue for a period of three years or until the third annual general meeting of the Company since the Listing Date, whichever is sooner, and subject always to re-election as and when required under the Articles of Association and the Corporate Governance Code, until terminated in accordance with the terms and conditions of the service agreement.

Each of the non-executive Directors and independent non-executive Directors entered into an appointment letter with the Company on September 26, 2021. The initial term for their respective appointment letters commenced from September 26, 2021 and will continue for a period of three years or until the third annual general meeting of the Company since the Listing Date, whichever is sooner, subject always to re-election as and when required under the Articles of Association, until terminated in accordance with the terms and conditions of the appointment letter.

Save as disclosed above, none of the Directors has or is proposed to have entered into any service agreement or appointment letter with any member of the Group (excluding agreements expiring or determinable by any member of the Group within one year without payment of compensation other than statutory compensation).

In accordance with the Articles of Association and the Corporate Governance Code, all Directors are subject to retirement by rotation at least once every three years and any new Director appointed to fill a casual vacancy or as an addition to the Board shall submit himself/herself for election by Shareholders at the first general meeting of the Company after appointment.

The Nomination Committee is responsible for reviewing the Board composition, identifying and recommending individuals suitably qualified to become Board members, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment of Directors and succession planning for Directors and assessing the independence of independent non-executive Directors. The Nomination Committee considers candidates with individual skills, experience and professional knowledge that can best assist and facilitate the effectiveness of the Board.

The Nomination Committee takes the policy on Board diversity of the Company into consideration when it considers the balance of composition of the Board as a whole.

The Company has established a director nomination policy. When evaluating and determining the candidates of Directors, the Nomination Committee and the Board of Directors shall consider the following factors: personal characters; professional qualifications, skills, knowledge, and experience related to the Group's business and strategy; willingness to devote sufficient time to fulfill the duties of the Directors and members of the special committees of the Board; whether their appointment is in compliance with the requirements of the Listing Rules (including the independence requirements of independent non-executive Directors); and whether their appointment is in compliance with the Company's Board diversity policy and any measurable targets adopted by the Nomination Committee to diversify the members of the Board.

Responsibilities of the Directors

The Board is responsible for making all major decisions of the Company including the approval and monitoring of all major policies of the Group and overall strategies, internal control and risk management systems, notifiable and connected transactions, nomination of the Directors and Joint Company Secretaries, and other significant financial and operational matters.

All of the Directors have full and timely access to all relevant information as well as the advice and services of the Joint Company Secretaries, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Each Director is entitled to seek independent professional advice in appropriate circumstances at the Company's expense.

The day-to-day management, administration and operation of the Company are delegated to the management. The delegated functions are periodically reviewed. Approval must be obtained from the Board before any significant transaction is entered into.

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

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

Board Diversity Policy

In order to enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy (the "**Board Diversity Policy**") which sets out the objective and approach to achieve and maintain diversity of our Board. Pursuant to the Board Diversity Policy, we seek to achieve the diversity of the Board through the consideration of a number of factors when selecting the candidates to our Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural, education background, ethnicity 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 our Board.

We have taken, and will continue to take, steps to promote gender diversity at all levels of our Company, including but not limited to our Board and the management levels. In particular, Ms. Htay Htay HAN, our chief medical officer (vaccine) responsible for the clinical development of our vaccine candidates of our Group, and Dr. Xiaobing LI, our executive vice president responsible for product development and program & portfolio management of our Group, are women, and form an important part of our management team. As of the date of this annual report, the Board consists of nine Directors who are all males. Going forward, we will continue to work to enhance the gender diversity of our Board and the Company expects to achieve gender diversity of the Board by appointing at least one female director by December 31, 2024. We will continue to ensure there is gender diversity when recruiting staff at mid to senior levels, so our management pipeline includes multiple genders and thus a diverse set of potential successors to our Board in due time. Our Group will continue to emphasize training of talented employees from underrepresented genders and provide them with long-term development opportunities. Among the 814 employees of our Group as at December 31, 2021, 395 are males (48.53%) and 419 are females (51.47%). The Board is satisfied with the gender diversity of our employees and no measurable objectives with respect to gender diversity has been adopted as of the date of this annual report.

Our Directors have a balanced mix of knowledge and skills, including in biochemistry, pharmaceuticals, business development, research and development, investment management and corporate finance. They obtained degrees in various majors including, among others biology, pharmaceuticals, economics and business development. We have four independent non-executive Directors with different industry backgrounds, representing more than one third of the members of our Board.

Our Nomination Committee is responsible for ensuring the diversity of our Board members. After the Listing, our Nomination Committee will monitor the implementation of the Board Diversity Policy and review the Board Diversity Policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the Board Diversity Policy on an annual basis.

Directors' and Officers' Liabilities Insurance

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

Continuous Professional Development of Directors

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

Every newly appointed Director should receive formal, comprehensive and tailored induction on the first occasion of their 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.

Since the Listing Date to December 31, 2021, the Directors, namely Dr. Liang, Mr. Joshua Liang, Dr. WANG Xiaodong, Mr. XIAO Ting, Mr. LYU Dong, Dr. WU Xiaobin, Mr. LIAO Xiang, Mr. Jeffrey FARROW, Mr. Thomas LEGGETT, were regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

The Joint Company Secretaries of the Company may from time to time and, as the circumstances required, provide updated written training materials relating to the roles, functions and duties of a director of a company listed on the Stock Exchange.

BOARD COMMITTEES

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

Audit Committee

The Listing Rules require every listed issuer to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Company has established the Audit Committee and has formulated its written terms of reference, which will from time to time be modified in accordance with the prevailing provisions of the Corporate Governance Code.

We have established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of the Group, review and approve connected transactions and to advise the Board. The Audit Committee comprises two independent non-executive Directors namely Mr. Thomas LEGGETT and Mr. Jeffrey FARROW, and one non-executive Director, namely Mr. XIAO Ting. Mr. Thomas LEGGETT is the chairman of the Audit Committee. Mr. Jeffrey FARROW is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The Group's annual results for the year ended December 31, 2021 have been reviewed by the Audit Committee and the annual results have also been audited by the independent auditor of the Company, Ernst & Young. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company during the Reporting Period.

The Audit Committee held 1 meeting from the Listing Date to December 31, 2021 as the Company was only listed on November 5, 2021. The attendance of the meeting by the Audit Committee members is set out in the table below:

Name of Directors	Number of attendance/required attendance
Mr. Thomas LEGGETT	1/1
Mr. Jeffrey FARROW	1/1
Mr. XIAO Ting	1/1

The following matters were discussed and considered during the meeting held within the Reporting Period:

1. discussed the nature and scope of the audit and reporting obligations before the annual audit commences;
2. reviewed the financial reporting system, compliance procedures, internal control (including the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function), risk management systems and processes; and
3. discussed the re-appointment arrangement of the Company's auditor.

On March 22, 2022, the Audit Committee held another meeting and reviewed (i) the audited consolidated financial statements for the Reporting Period of the Group; (ii) a draft of this annual report; (iii) the accounting principles and policies for the Reporting Period; (iv) the internal control and risk management system of the Group; (v) the effectiveness of the Company's internal audit function; and (vi) the Audit Committee's performance of its other duties under the Corporate Governance Code in the presence of the representatives from Ernst & Young and the Company's management. The Audit Committee concluded that the internal control systems and risk management of the Group are effective and adequate.

Remuneration Committee

We have established the Remuneration Committee in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The primary duties of the Remuneration Committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management and approve the terms of the service contracts of executive Directors. The Remuneration Committee comprises two independent non-executive Directors, namely Dr. WU Xiaobin and Mr. LIAO Xiang, and one non-executive Director, namely Dr. WANG Xiaodong. Dr. WU Xiaobin is the chairman of the Remuneration Committee.

The Remuneration Committee has (i) reviewed policy and structure for the remuneration of the Directors and senior management of the Company; (ii) reviewed the remuneration proposal of the Directors and senior management of the Company for the year ended December 31, 2021; and (iii) made recommendations to the Board on the remuneration packages of individual Directors and senior management pursuant to code provision E.1.2 (c)(ii) of Part 2 of the Corporate Governance Code during the Reporting Period.

The Remuneration Committee held 1 meeting from the Listing Date to December 31, 2021 as the Company was only listed on November 5, 2021. The attendance of the meeting by the Remuneration Committee members is set out in the table below:

Name of Directors	Number of attendance/required attendance
Dr. WU Xiaobin	1/1
Mr. LIAO Xiang	1/1
Dr. WANG Xiaodong	1/1

The remuneration of the members of senior management by band for the year ended December 31, 2021 is set out below:

Remuneration bands (RMB)	Number of persons
10,000,000-20,000,000	1
1,000,000-10,000,000	1
0-1,000,000	–
Total	**2**

Nomination Committee

We have established the Nomination Committee in compliance with the Corporate Governance Code. The primary duties of the Nomination Committee are to make recommendations to our Board regarding the appointment of Directors and Board succession. The Nomination Committee comprises one executive Director, namely Dr. Liang, and two independent non-executive Directors, namely Mr. Thomas LEGGETT and Dr. WU Xiaobin. Dr. Liang is the chairman of the Nomination Committee.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience etc. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence (for appointment of Independent Non-executive Directors), and Board diversity aspects, where appropriate, before making recommendation to the Board.

The Nomination Committee did not convene any meeting from the Listing Date to December 31, 2021 as the Company was only listed on November 5, 2021.

Policy on Director Nomination

Pursuant to Article 16.2 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting. Subject to the provisions of the Articles of Association and the Companies Act, the Company may by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors. Pursuant to Article 16.6 of the Articles of Association, the Company may by ordinary resolution at any time remove any Director (including a managing Director or other executive Directors) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director and may by ordinary resolution elect another person in his stead. Any person so elected shall hold office during such time only as the Director in whose place he is elected would have held the same if he had not been removed.

Nomination Committee's Role and its Selection Process and Criteria

The Nomination Committee shall review the information and documents provided by the nominated candidate and conduct the following process (in accordance with the following criteria) with a view to assess and evaluate whether such candidate is suitably qualified to be appointed as a director of the Company before making recommendations to the Board:

1. to assess such candidate's qualifications, skills, knowledge, ability and experience and also potential time commitment and attention to perform director's duties under common law, legislation and applicable rules, regulations and guidance (including without limitation the Listing Rules and the "Guidance for Boards and Directors" published by the Stock Exchange (the "**Guidance for Boards**")), with reference to the corresponding professional knowledge and industry experience which may be relevant to the Company and also the potential contributions that such candidate could bring to the Board (including potential contributions in terms of qualifications, skills, experience, independence and gender diversity);

2. in addition and without prejudice to Paragraph 1 above, to assess such candidate's personal ethics, integrity and reputation (including without limitation to conduct appropriate background checks and other verification processes against such candidate);

3. with reference to the Company's Board Diversity Policy (as adopted and amended by the Board from time to time), to take into account the then current structure, size and composition (including without limitation the balancing of the age, gender, cultural and educational background, professional and industry experience, skills and knowledge, and diversity of perspectives appropriate to the requirements of the Company's business) of the Board and the Company's strategy, with due regard for the benefits of the appropriate diversity of the Board and also such candidate's potential contributions thereto;

4. to consider board succession planning considerations and the long-term needs of the Company;

5. in case of a candidate for an independent non-executive director of the Company, to assess: (i) the independence of such candidate with reference to, among other things, the independence criteria as set out in Rule 3.13 of the Listing Rules; and (ii) the guidance and requirements relating to independent non-executive directors set out in code provision B.3.4 of Part 2 of the Corporate Governance Code and in the Guidance for Boards; and

6. to consider any other factors and matters as the Nomination Committee may consider appropriate.

Board's Decision

The Board shall consider the recommendations from the Nomination Committee and make a decision as to whether the nominated candidate shall be eligible to be appointed as a Director.

Corporate Governance Function

The Board is responsible for determining the corporate governance policy of the Company performing the functions set out in code provision A.2.1 of Part 2 of the Corporate Governance Code. Such duties have been delegated to the Audit Committee.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the Company's compliance with the Corporate Governance Code, the Company's code of conduct applicable to its employees and Directors, and disclosure in its Corporate Governance Report during the Reporting Period.

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

DIVIDEND POLICY

The Company has 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. The declaration and payment of any dividends in the future will be determined by the Board, in its discretion, and will depend on a number of factors, including our earnings, capital requirements, overall financial condition and contractual restrictions. Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. As advised by our Cayman counsel, under the Companies Act, a Cayman Islands company may pay a dividend out of either profits or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. In light of our accumulated losses as disclosed in this annual report, it is unlikely that we will be eligible to pay a dividend out of our profits in the foreseeable future. We may, however, pay a dividend out of our share premium account unless the payment of such a dividend would result in our Company being unable to pay our debts as they fall due in the ordinary course of business. There is no assurance that dividends of any amount will be declared to be distributed in any year.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems. The Company has set up an internal audit function to conduct internal control on certain significant areas of the Group. The internal audit function, reporting to the chief executive officer of the Company, Mr. Joshua Liang, provides independent assurance as to the existence and effectiveness of the risk management activities and internal controls in the operations of the Group's business.

The dedicated internal control and risk assessment functions assist the Board and Audit Committee on the implementation and monitoring of the internal control policies, procedures and the risk management mechanism.

Risk Management

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

The following key principles outline the Group's approach to risk management the Company plans to implement:

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

- The chief executive officer of the Company, Mr. Joshua Liang, is responsible for (i) formulating and updating our risk management policy; (ii) reviewing and approving major risk management issues of our company; (iii) promulgating risk management measures; (iv) providing guidance on the Company's risk management approach to the relevant departments in the Company; (v) reviewing the relevant departments' reporting on key risks and providing feedback; (vi) supervising the implementation of the risk management measures by the relevant departments; (vii) ensuring that the appropriate structure, processes and competencies are in place across the company; and (viii) reporting to the Audit Committee on the Company's material risks;

- The relevant departments in the Company, including but not limited to the finance department, the legal department, and the human resources department, are responsible for implementing the risk management policy and carrying out day-to-day risk management practice. In order to formalize risk management across the Group and set a common level of transparency and risk management performance, the relevant departments will (i) gather information about the risks relating to their operation or function; (ii) conduct risk assessments, which include the identification, measurement, prioritization and categorization of all key risks that could potentially affect their objectives; (iii) define and implement appropriate risk responses where necessary; (iv) prepare a risk management report annually for the Company's chief executive officer's review; (v) continuously monitor the key risks relating to their operation or function; and (vi) develop and maintain an appropriate mechanism to facilitate the application of the risk management framework.

Internal Control

The Board is responsible for establishing the Company's internal control system and reviewing its effectiveness. During the Reporting Period, the Company has regularly reviewed and enhanced its internal control system. Below is a summary of the internal control policies, measures, and procedures the Company has implemented or plan to implement:

- The Company has adopted various measures and procedures regarding each aspect of its business operation, such as related party transaction, risk management, protection of intellectual property, environmental protection and occupational health and safety.
- The Company provides various training programs to keep the employees updated on relevant laws, regulations, and policies. The Company's new employees are required to attend compliance training programs soon after on-boarding, and must pass tests which examine their understanding of the compliance issues addressed by the training programs. The Company's employees are also required to regularly attend on-site and online training sessions to keep them informed of recent updates in the relevant laws and regulations.
- The Directors (who are responsible for monitoring the corporate governance of the Group), with help from the Company's legal advisers, periodically review the Company's compliance status with all relevant laws and regulations.
- The Company has established the Audit Committee which (i) makes recommendations to the Directors on the appointment and removal of external auditors; and (ii) reviews the financial statements and renders advice in respect to financial reporting as well as oversees internal control procedures of the Group.
- The Company has engaged Somerley Capital Limited as its compliance adviser to provide advice to the Directors and management team until the end of the first fiscal year after the Listing Date regarding matters relating to the Listing Rules. The compliance adviser is expected to ensure the Company's use of funding complies with the sections entitled "Future Plans and Use of Proceeds" in the Prospectus, as well as to provide support and advice regarding requirements of relevant regulatory authorities in a timely fashion.
- The Company maintains strict anti-bribery & anti-corruption policies and believes it will therefore be less affected by the increasingly stringent measures taken by the PRC government to correct corruptive practices in the pharmaceutical industry.

The Board, as supported by the Audit Committee as well as the management, reviewed the risk management and internal control systems, including the financial, operational and compliance controls from the Listing Date, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2021.

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.

AUDITOR'S RESPONSIBILITY AND REMUNERATION

The Company appointed Ernst & Young, Certified Public Accountants and Registered Public Interest Entity Auditor, as the external auditor for the year ended December 31, 2021. A statement by Ernst & Young about their reporting responsibilities for the financial statements is included in the Independent Auditors' Report of this annual report.

Details of the fees paid/payable in respect of the audit and non-audit services provided by Ernst & Young for the year ended December 31, 2021 are set out in the table below:

	RMB' 000
Audit services	
– Services in connection with the Listing	4,340
– Annual audit service	2,360
Non-audit services related to internal control review in connection with the Listing and tax	1,569
Total	**8,269**

JOINT COMPANY SECRETARIES

During the period from the Listing Date to December 31, 2021, Mr. Brian Krex was one of the Joint Company Secretaries of the Company. Ms. Chau Hing Ling of Vistra Corporate Services (HK) Limited, an external service provider, has been engaged by the Company as the other Joint Company Secretary. Ms Fung Po Ting ceased to serve as a Joint Company Secretary of the Company and an agent for the service of process and notices on behalf of the Company in Hong Kong under the Rule 19.05(2) of the Listing Rules and Part 16 of the Companies Ordinance with effect from December 22, 2021. For details of the waiver granted to the Company by the Stock Exchange from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules in relation to Mr. Brian Krex's eligibility to act as a Joint Company Secretary of the Company, please refer to the announcement of the Company dated December 22, 2021. Mr. Brian Krex, the general counsel and a Joint Company Secretary of the Company, is the primary corporate contact person of the other Joint Company Secretary, Ms. Chau Hing Ling.

For the year ended December 31, 2021, Mr. Brian Krex and Ms. Chau Hing Ling had undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

Convening of Extraordinary General Meetings by Shareholders

Pursuant to the Articles of Association, an extraordinary general meeting (the "**EGM**") shall be called by notice in writing of not less than 14 clear days and not less than 10 clear business days.

Any one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "**Eligible Shareholder(s)**") shall at all times have the right, by written requisition to the Board or the Joint Company Secretaries, to require an EGM to be called by the Board for the transaction of any business specified in such requisition.

Eligible Shareholder(s) who wish to convene an EGM must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong, at Room 1901, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong, for the attention of the Joint Company Secretaries. The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM, the agenda proposed to be included and the details of the business(es) proposed to be transacted at the EGM. The Requisition must be signed by the Eligible Shareholder(s) concerned.

The Company will check the Requisition and the identity and the shareholding of the Eligible Shareholder(s) will be verified with the Company's branch share registrar. If the Requisition is found to be proper and in order, the Joint Company Secretaries will ask the Board to convene an EGM within two (2) months and/or include the proposal or the resolution proposed by the Eligible Shareholder(s) at the EGM after the deposit of the Requisition. If within 21 days of the deposit of the Requisition the Board has not advised the Eligible Shareholders of any outcome to the contrary and fails to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the Articles of Association, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Putting Forward Proposals at General Meetings

There are no provisions allowing Shareholders to propose new resolutions at the general meetings under the Companies Act or the Articles of Association. However, Shareholders who wish to put forward proposals at general meetings may achieve so by means of convening an EGM following the procedures set out in the paragraph above.

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

Putting Forward Enquiries to the Board and Contact Details

Shareholders may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong at Room 1901, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong by post or email to anita.chau@vistra.com and brian.krex@cloverbiopharma.com, for the attention of the Joint Company Secretaries.

COMMUNICATION WITH SHAREHOLDERS

The Company has established a range of communication channels between itself and its Shareholders, investors and other stakeholders for enhancing investor relations and investor understanding of the Group's business performance and strategies. These include (i) the publication of annual reports and/or dispatching circulars, notices, and other announcements; (ii) the annual general meeting or extraordinary general meeting providing a forum for Shareholders to raise comments and exchanging views with the Board; (iii) updated and key information of the Group available on the Company's website and the Stock Exchange's website; (iv) the Company's website offering communication channel between the Company and its stakeholders; and (v) the Company's share registrar in Hong Kong serving the Shareholders in respect of all share registration matters.

CHANGE IN CONSTITUTIONAL DOCUMENTS

There was no significant change to the constitutional documents of the Company since the Listing Date to December 31, 2021.

On March 29, 2022, the Board resolved to propose the adoption of the fourth amended and restated memorandum and articles of association of the Company (the "**Amended and Restated M&A**") to conform to the core standards of shareholder protection as provided in the amended Appendix 3 to the Listing Rules under the new listing regime for overseas issuers which took effect on January 1, 2022. The proposed adoption of the Amended and Restated M&A is subject to the approval of the Shareholders by way of a special resolution at the AGM. For further details, please refer to the announcement of the Company dated March 29, 2022.

INVESTOR RELATIONS

The Company keeps on promoting good investor relations and enhancing communication with the Shareholders and potential investors in order for them to better understand the Group's business performance and strategies. In line with the Shareholders' communication policy of the Company, the Company maintains an on-going dialogue with Shareholders and the investment community, 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.

The Board has considered the Shareholders' communication policy of the Company as described above and is satisfied that there are effective channels by which Shareholders can communicate and raise concern with the Company.

GOING CONCERN

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to the Shareholders through the optimization of the debt and equity balance.

There are no material uncertainties relating to events or conditions that cast significant doubt upon the Company's liability to continue as a going concern.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1 ABOUT THE REPORT

1.1 Overview

This Environmental, Social and Governance Report (the "**ESG Report**") details the Group's efforts and achievements in sustainable development during the financial year of 2021.

1.2 Reporting Basis and Principles

The ESG Report has been prepared in accordance with the mandatory disclosure requirements and the "comply or explain" provisions under the Environmental, Social and Governance Reporting Guide (the "**ESG Guide**") contained in Appendix 27 of The Rules Governing the Listing of Securities on the Main Board on the Stock Exchange of Hong Kong Limited. The application of the principles of the ESG Guide are presented in Figure 1 below.

Figure 1. The Group's Response to ESG Reporting Principles

Reporting Principles	Definition in the ESG Guide	Responses of the Group
Materiality	The threshold at which ESG issues determined by the Board are sufficiently important to investors and other stakeholders that they should be reported.	Issues reported are significantly material to the Group, as determined through the 2021 Stakeholder Engagement Survey.
Quantitative	Key performance indicators ("**KPIs**") in respect of historical data need to be measurable. The issuer should set targets (which may be numerical figures or directional, forward-looking statements) to reduce a particular ESG impact. In this way the effectiveness of ESG policies and management systems can be evaluated and validated. Quantitative information should be accompanied by a narrative, explaining its purpose, impacts, and giving comparative data where appropriate.	The ESG Report provides quantitative information whenever feasible. See Appendix 1 for detailed KPIs.
Consistency	The issuer should use consistent methodologies to allow for meaningful comparisons of ESG data over time.	The ESG Report presents the KPIs and establishes methodologies for comparison over time.

1.3 Reporting Boundary

As with the other sections of the Annual Report, the reporting boundary of the ESG Report covers the Company and its subsidiaries, namely the offices, research and development, and production areas of the Group. For environmental KPIs in particular, the reporting boundary covers Zhejiang Clover and Sichuan Clover.

Unless otherwise stated, the ESG Report covers the period from January 1, 2021 to December 31, 2021 (the "**Reporting Period**").

2 ESG GOVERNANCE

2.1 ESG Philosophy

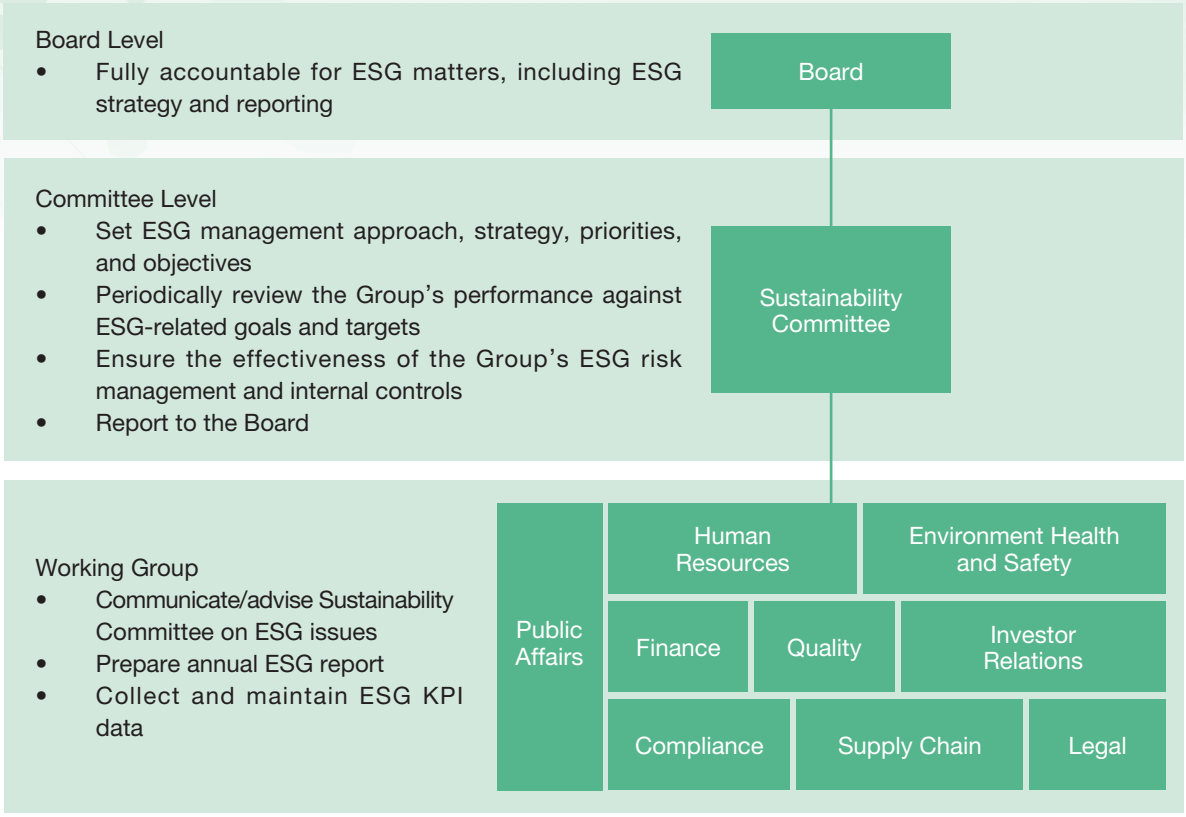
The Group strongly believes that robust ESG governance is as important as continual scientific innovation is to the sustainability of our operations and our relationship to our employees, our environment and the investment community. Therefore, the Group is committed to integrating ESG principles and performance targets into its daily operations and business objectives.

2.2 ESG Governance

> *"We are committed to delivering next-generation solutions to empower the global population with a healthier future in an environmentally friendly, socially responsive and highly ethical manner."*
>
> Joshua Liang, CEO of the Company

To ensure care and accountability in the management of ESG issues, we have established the following ESG governance structure during the Reporting Period (Figure 2).

Figure 2. The Group's ESG Governance Structure



The Board is accountable for ensuring that procedures are well-established for assessing and managing ESG-related impacts. The Board authorizes the Sustainability Committee to assess, prioritize, manage, and report ESG issues, including by communicating with stakeholders and collaborating with external ESG experts. The Sustainability Committee actively reviews ESG-related policies and management approaches, supervises the working group on execution, solicits feedback from key stakeholders on risks and opportunities, and conducts the materiality assessment and benchmarks ESG goals against industry standards. The Board may meet with the Sustainability Committee on a periodic basis to review and approve goals and assess performance against those goals.

During the Reporting Period, we identified 6 of the 17 United Nations' Sustainable Development Goals[1] ("**SDGs**") that are most closely related to our business strategy and ESG philosophy. We strive to incorporate these SDG priorities into our long-term operations.

[1] https://sdgs.un.org/goals

Figure 3. SDG Priorities

2.3 Communication with Stakeholders

2.3.1 Stakeholder Identification and Engagement

The ESG Working Group has engaged with key stakeholders to ensure understanding of the ESG reporting objectives and requirements and the Group's ESG performance expectations. In Figure 4, we summarize current concerns most relevant to the Group and our approach to address them. We will continue to build upon these efforts and establish our best practices in each area.

Figure 4. Stakeholder Identification and Engagement Plan

Key Stakeholders	Communication Channels	Issues of Concern	Responses
Investors and Shareholders	◆ Press release and announcement ◆ Annual General meeting ◆ Shareholder meeting ◆ HKEX filings	◆ Sustainable investment value ◆ Information disclosure ◆ Corporate transparency	◆ Enhance operational efficiency and progress towards commercialization ◆ Disclose important corporate information immediately
Employees	◆ Corporate HR communication ◆ Face-to-face communication ◆ Training ◆ Whistleblowing channel	◆ Employee training and development ◆ Occupational health and safety ◆ Employees' rights and interests	◆ Provide employee training programs ◆ Create a positive, healthy and people-oriented work environment ◆ Promote growth mindset
Consumers/ Patients	◆ Information disclosure	◆ Product quality and safety ◆ Customer information and privacy protection	◆ Ensure product quality and safety through quality assurance departments and standard operating procedures ◆ Safeguard customer/ patient information via stringent information technology security procedures

Key Stakeholders	Communication Channels	Issues of Concern	Responses
 Government and Regulatory Institutions	◆ Conference ◆ Policy Consultation ◆ Site visit	◆ Compliant operations ◆ Industry development	◆ Implement policies and measures in accordance with laws ◆ Participate in industry forums ◆ Host onsite inspections
 Suppliers	◆ Email ◆ Business meeting	◆ Fair and open tender process ◆ Win-win cooperation	◆ Apply strict procurement procedures ◆ Establish sustainable and trustworthy relationships with responsible suppliers
 Partners	◆ Email ◆ Conference ◆ Business meeting	◆ Industry development ◆ Business integrity	◆ Establish meaningful partnerships for joint development opportunities ◆ Maintain relationship with global organizations
 Media	◆ News conference ◆ Social media ◆ Interview	◆ Transparent information disclosure ◆ Fulfilment of corporate social responsibility	◆ Disclose information timely and accurately
 Local Communities	◆ Social media	◆ Job creation ◆ Health accessibility ◆ Environmental sustainability ◆ Climate change mitigation	◆ Create job opportunities ◆ Provide equal access to the public ◆ Establish Environmental, Health and Safety (“**EHS**”) Committees at applicable subsidiaries

2.3.2 Materiality Assessment

The ESG Working Group conducted a stakeholder survey to better identify ESG issues that are deemed material to the Group and stakeholders in 2021. The result of the materiality assessment is summarized below (Figure 5, 6).

Figure 5. Materiality Matrix for ESG Issues

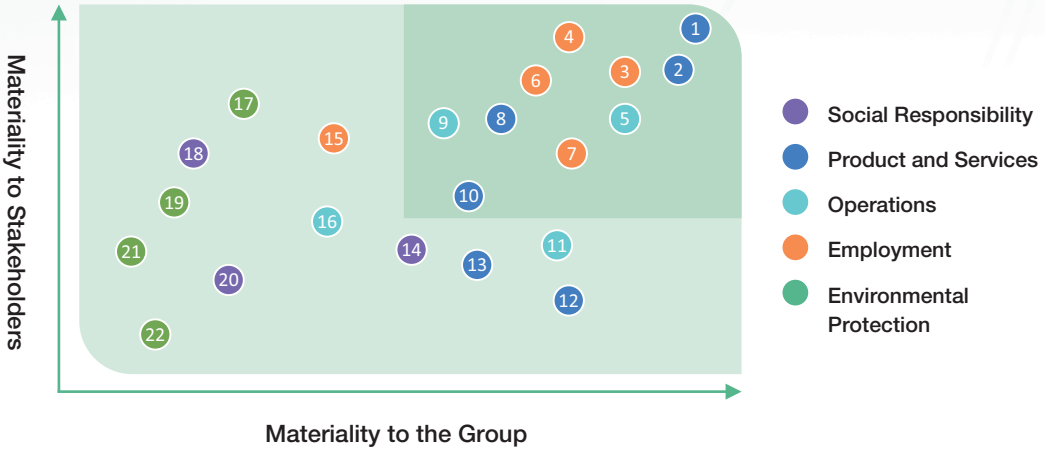


Figure 6. Ranking of ESG Material Issues

Ranking of Very Material Issues		Ranking of Material Issues	
1	Product quality and safety	11	Risk management
2	Product innovation	12	Responsible marketing
3	Occupational health and safety	13	Privacy and data protection
4	Employee training and development	14	Health accessibility
5	Business ethics and anti-corruption	15	Employment and retention
6	Employee rights and interest protection	16	Supply chain management
7	Employee benefits	17	Waste management
8	Intellectual property protection	18	Promoting industry development
9	Compliant operations	19	Use of resources
10	Quality services	20	Community welfare
		21	Greenhouse gas emission
		22	Mitigation and adaption to climate change

3 RESPONSIBLE OPERATIONS

3.1 Business Ethics and Integrity

The Group adheres to applicable laws and regulations on bribery, extortion, fraud and money laundering, including but not limited to the *Criminal Law of the PRC*, the *Company Law of the PRC*, *Foreign Corruption Practice Act (FCPA)*, the *Bribery Act 2010*, the *Anti-Unfair Competition Law of the PRC*. During the Reporting Period, we did not receive any reports or allegations against the Group or our employees in any of these areas.

3.1.1 Compliance, Anti-Corruption and Anti-Bribery

The Group also issued the *Code of Ethics and Standards of Conduct* ("***Code of Conduct***"). The *Code of Conduct* presents the legal and ethical standards of conduct required of our employees and third parties engaged in our business activities, including suppliers and agents. The Code of Conduct prohibits any form of bribery or corruption and stipulates that employees may not directly or indirectly offer or give anything of value to any person, including government officials, to influence official actions or secure an improper advantage.

Promoting Corporate Morality and Integrity

During the Reporting Period, our Compliance Department conducted the first commercial anti-corruption training for our employees and plan to provide more trainings in the future. Moreover, the Ethics and Behavior Standards were posted in different languages in all office location to promote an ethical environment.

3.1.2 Whistleblowing Reporting Channels

With reference to ISO37001 Anti-Bribery Management System and other relevant laws and regulations, the Group setup a comprehensive whistleblowing procedure (see Figure 7) that ensures all complaints received by the Group can be effectively analyzed, assessed and addressed in a timely way. The procedure also requires that full records be maintained for traceability.

Employees and suppliers are encouraged to raise any potential issues, including but not limited to fraud, unethical business conduct, violation of legal or regulatory requirements. We offer a variety of reporting whistleblowing channels, through which employees can report 24 hours a day all year round. The Group contracted with SAFECALL, a whistleblowing service provider, for reporting any suspected behaviors anonymously.

Figure 7. Whistleblowing Procedure

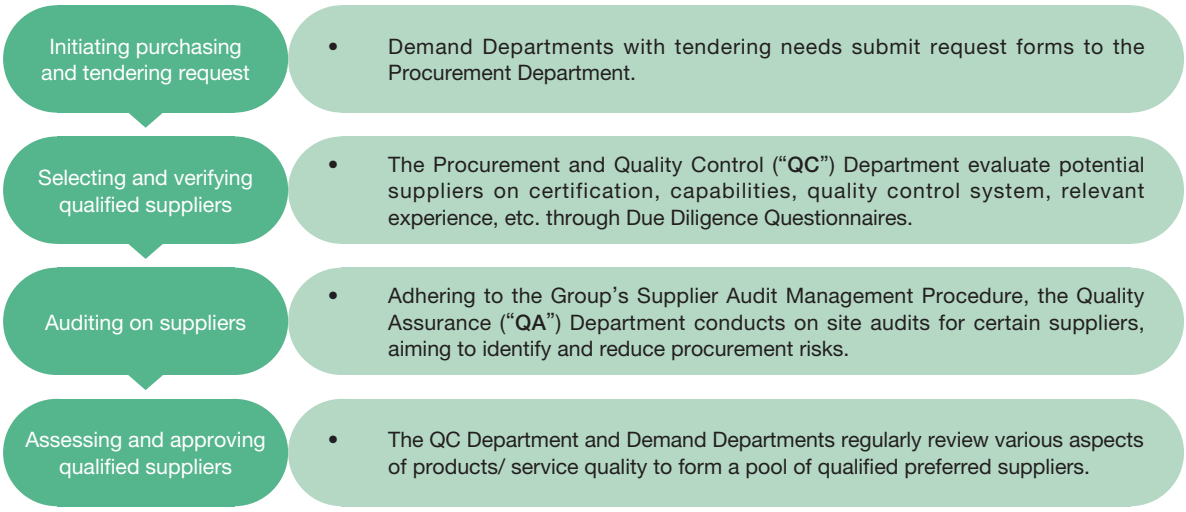
3.2 Sustainable Supply Chains

The Group is committed to creating a long-term relationship with business partners throughout the supply chain while upholding the quality and fairness of our procurement processes and supplier management system. When quality standards and pricing needs are met, we prioritize the use of environmentally conscious suppliers and servicers.

3.2.1 Supplier Management Procedures

The Group established the *Supplier Management Procedure* and *Service Provider Supplier Management Procedure* to ensure fair and effective procurement. This document prescribes tendering procedures, responsible persons and their responsibilities, and aims to ensure that all products and service providers are selected in an open and fair manner. A summary of this procedure is presented in Figure 8.

Figure 8. Supplier Management Procedure



3.2.2 Risk Management of Supply Chains

The QC department administers tailored due diligence questionnaires for assessing suppliers' risks, including but not limited to topics on compliance, financial robustness, quality, environmental health services, supply chain management and corporate social responsibility.

We also performed targeted audits on suppliers whose products may have negative environmental impacts or might negatively affect the quality and safety of our own products. During the Reporting Period, we audited 37 suppliers in total and all of them meet our GMP standards requirements.

3.2.3 Quality Agreements with Suppliers

The Group has high standards for the quality of products and services from suppliers, especially those who meet the requirements for *Good Practices*[2] ("**GxP**") and have quality agreements with us. To reach mutual agreement on the activities, responsibilities and obligations of both parties, we established the *Procedure for Quality Assurance Agreement* which specifies our quality terms. We also tailored *Quality Agreements* for use with different types of suppliers and these agreements at a minimum defines the responsibility and requirements for each party on personnel, premises, equipment, documentation, storage and transportation, product certification, complaints, returns and suspected falsified products and market returns and product recalls and disposal. Where applicable, the *Quality Agreements* may also include the procedures for product testing, quality assurance and quality control.

3.2.4 Efforts in Clean Cooperation

To prevent any supplier bribery, the Group requires suppliers to sign an *Agreement on Clean Cooperation*. During the Reporting Period, 113 of our suppliers have signed this agreement.

4 PRODUCT LIABILITY

4.1 Comprehensive Quality Management

We strictly abide by the laws and regulations that have a significant impact on our operations, including but not limited to the *Drug Administration Law of the PRC*, the *Vaccine Administration Law of the PRC*, the *Administrative Measures on Supervision of Pharmaceutical Manufacturing* and the *Regulations on the Administration of Drug Clinical Trial Institutions*. During the Reporting Period, the Group did not receive any incidents of non-compliance with relevant laws and regulations relating to the health and safety of products.

4.1.1 Quality Control and Review

The Quality Manual references a series of biopharmaceutical industry standards, including but not limited to International Conference on Harmonization ("**ICH**") Q10 Drug Quality Management System and ICH Q12 Drug Lifecycle Management. We have integrated the requirements of the current *Good Manufacturing Practices* ("**cGMP**"), the *Good Clinical Practices* ("**GCP**") and the *Good Laboratory Practices* ("**GLP**") into our Quality Management System ("**QMS**") which covers all manufacturing activities from receiving raw material, releasing drug substances and drug products, to product launch, post-marketing monitoring and product withdrawal.

[2] The term GxP is an umbrella term for "good practice" guidelines and regulations. "x" indicates a specific field: clinical (GCP), manufacturing (GMP), distribution (GDP), laboratory (GLP), agricultural (GAP), etc. Although the requirements are similar across countries, there is no single regulatory entity or governing body, and each country has its own guidelines and regulators. GxP regulations include those listed in US FDA CFR Title 21 Part 11 and EU EudraLex Volume 4 – GMP Guidelines Annex 11.

4.1.2 Complaints and Recall

Our candidate product has not yet been commercialized. During the Report Period, we did not receive any complaints or requests for product recalls for health and safety reasons. To stay ahead of the curve, we have already established and will continue to refine the *Customer Complaint Handling Procedures*, the *Product Recall Management Procedure*, the *Product Quality Complaint Management* and the *Safety Information and Product Complaint Handling*. Once our candidate product is commercialized, we will conduct a review of complaint trends every six months and summarize them into a report for management review.

4.1.3 Clinical Trial Activities

Our clinical trial activities are conducted in compliance with clinical principles, including but not limited to GCP, the *Declaration of Helsinki* and other applicable regulatory requirements. We also have the *Oversight of Clinical Trial Management* in place to ensure that the oversight of trial related duties and functions is clearly maintained and consistently documented at all stages. In addition, the Group established the *Investigational Products (IP) Oversight and Management* to regulate the use of investigational products from manufacturing to depots in human clinical trials.

Figure 9. Clinical Management Systems

4.2 Legitimate Rights Protection

4.2.1 Intellectual Property Protection

The Group is committed to the development and protection of our intellectual property rights and other intangible assets, and we formulated the *Policy on Intangible Assets Management*, *Code of Conduct* to deliver on our commitment. Following the management philosophy of "unified leadership, centralized management, graded responsibility and responsibility to person," we developed clear division of responsibilities and the whole-process management system.

Our Legal Department is the centralized management department for intellectual property while our Information Technology ("**IT**") Department manages software and security aspects to ensure the protection of the Group's confidential information.

The Legal Department has developed procedures and policies to protect the Group's intellectual property rights, including identifying patentable inventions, and filing trademarks. The Group also respects the intellectual property rights of others, and takes measures to identify third party rights and avoid infringing such rights. Our whole-process management system provides detailed guidance and strict requirements for relevant procedures including acquisition, acceptance, daily management and preservation, disposal and transfer of intellectual property control.

4.2.2 Responsible Marketing

We abide by the *Advertising Law of the PRC* to ensure stakeholders have access to truthful, fair, accurate, appropriate and timely information in product labels and advertisements. We established the *Packaging Development and Design Testing Procedure* and the *Artwork Design and Management Procedure*. They regulate packages at registration and commercialization to ensure all the Artwork Design and contents do not mislead or misrepresent the product or make other irresponsible marketing statements.

For external communications, only authorized spokespersons may communicate on behalf of the Group with external organizations, such as the media, members of the investment community or government officials.

4.2.3 Privacy and Data Protection

The Group strictly conforms to the *Personal Information Protection Law of the People's Republic of China*, and the *General Data Protection Regulation of the EU* and protects the privacy of personal information that we collect, process, store and transfer. Such information includes data about personnel, customers and patients. We also safeguard the confidentiality of information entrusted to us by our business partners, vendors, patients and other stakeholders.

The Group instituted the *Policy on Information Confidentiality Management* to establish a confidentiality management system. Our Legal Department is responsible for confidentiality management, which we incorporated into the scope of internal control and audit. As prescribed by the confidentiality management system, the Legal Department sets confidentiality levels and adopts regulatory measures including signing confidentiality agreements to strictly manage major confidentiality-related matters and effectively regulate key confidentiality-related positions and personnel. Our IT department also has dedicated Data Security personnel who oversee the safe storage and transfer of information.

5 TALENT MANAGEMENT

The Group treasures its employees as the most valuable assets fueling the Group's sustainable long-term growth and is committed to creating a safe, open and mutually trustworthy corporate culture for employees to thrive.

> *"Although the high-level trajectory for the Group has been a sharp upward arrow over the last 5 years, this journey has been and always will be full of twists and turns. As I look back, the challenges we faced have all become the defining moments I remember most fondly – our whole team coming together with a growth mindset, being persistent and resilient, and emerging even stronger as a result."*
>
> Joshua Liang, CEO of the Company

5.1 Employment and Labor Standards

We strictly abide by national and regional employment laws and regulations that are applicable at each of our operating locations. They include but are not limited to the *Labor Law of the PRC*, the *Labor Contract Law of the PRC*, the *Implementation Rules of the Labor Contract Law of the PRC*, and the *Social Insurance Law of PRC*. We published and periodically review the Employee Handbook ("**Handbook**"), in which we specified the guidelines for recruitment and promotion, working hours, recess, compensation and dismissal, equal opportunity, diversity, anti-discrimination and other benefits and welfare. During the Reporting Period, there was no reported violation of labor laws and regulations.

5.1.1 Talent Recruitment

The Group has implemented the *Recruitment Management Standard Operating Procedure* ("**Recruitment SOP**"), aimed at ensuring fair and equal treatment to all employees.

The Human Resources Department ("**HR Department**") is responsible for developing, implementing and renewing personnel policies and procedures and collaborates with managers of each business unit to hire the right talent.

5.1.2 Employee Rights and Interests Protection

The Group is committed to providing equal opportunities and creating a work environment free of discrimination and harassment. Decisions on recruitment, employment, compensation, performance appraisal and promotion are based solely on employees' competence, knowledge, aptitude and work performance. The Group issued the *Code of Conduct* to all employees during the Reporting Period to foster legal and ethical behavior at work.

The Group conducts background checks and verifies the identity of every job applicant, including identification card, education certificates and other relevant identification documents. If any child/forced labor, it will be found during this process and eliminated. In the case of overtime work due to business needs, employees will receive overtime pay, transportation allowance and meal allowance according to the Handbook. During the Reporting Period, the Group did not have any cases of child labor or forced labor.

5.1.3 Remuneration and Welfare

The Group rewards all employees fairly and competitively. Employee pay is composed of a base salary. Some may also receive a bonus and other long-term incentives such as company stock, or housing and food subsidies based on geography. We also offer our employees other non-cash benefits such as paid time off.

5.2 Employee Development and Training

We established a performance management system to recognize individual contributions, and foster accountability and effectiveness by aligning individual goals with corporate goals. We are also adding more content to employee trainings to enhance personal and career development.

5.2.1 Talent Performance Management

The Group regularly evaluates employee work performance. The annual management cycle begins with goal setting and is followed by a mid-year and year-end performance reviews. We also encourage employees and their managers to meet regularly to discuss goals, achievements and revise their goals.

5.2.2 Training Programs

The Group provides a wide range of training activities that satisfy both our business compliance needs and employees' professional development interests. Examples from the Reporting Period include Leadership 360 Surveys and follow-up virtual coaching for Group leaders, Manager Plus Leadership Training for first-time managers, Orientation Training for new employees, Growth Mindset Training for all employees and GMP Training for employees in Zhejiang Clover.

5.3 Employee Health and Safety

The Group strictly abides by the *Safety Production Law of the PRC*, the *Code of Occupational Disease Prevention of the PRC*, and the *Regulation on Work-Related Injury Insurance*, and makes every effort to ensure a safe workplace that protects employees from occupational hazards.

5.3.1 Safe Production

The Group developed the *EHS Risk Assessment Management Procedure,* the *Corporation Entity Responsibility System on Safety Production*, the *Post Responsibility on Safety Production* and other relevant policies to comprehensively define the safety management framework.

We treat every safety risk seriously and try to prevent accidents at all stages of our business operations. At Sichuan Clover, we established a dual system of risk assessment and hazard investigation. We also established the EHS Management Department and assigned specific employees from each department to oversee the implementation of safety protocols and ensure accountability at the departmental level. Compliance with *EHS Responsibility Statement* and its enforcement scheme are clearly stated in the *Handbook*.

We also established an EHS Committee and EHS Executive Committee at Zhejiang Clover. They regularly review the progress of its risk and control measures and carry out a comprehensive risk assessment annually. The committees have conducted inspections, implemented improvements and trainings, and prepared detailed instructions to ensure the safety of the work environment and preparedness for emergencies.

5.3.2 Occupational Health and Safety

We put in place the *Occupational Health Management Regulations* (the "**Regulations**"), which recognizes health risk factors, specifies health management responsibilities and clarifies occupational disease prevention and control. According to the Regulation, we provide annual health checks to all employees and extra-occupational health checks to employees at positions with potential health risks.

Occupational disease prevention and control target during the Reporting Period

- ✓ 0 incidence of occupational diseases
- ✓ 100% physical examination rate for all occupational workers
- ✓ 100% wearing personal protective equipment

We provide employees with all necessary protections including work clothes, insulation shoes, protective goggles, earplugs, dust masks and gas protection equipment. We also regularly organize occupational health and safety training on different topics and carry out emergency drills. We provide employees at all levels with training on safe production, workshop safety production rules and regulations, and post safety operation procedures. For those in special positions, we carry out monthly safety training, including on the topics of fire safety, hazardous waste management and prevention and control of COVID-19.

During the Reporting Period, third-party experts who evaluated current occupational disease hazards at Zhejiang Clover determined that the current prevention and protection measures are adequate.

6 ENVIRONMENTAL PROTECTIONS

6.1 Environmental Management

We strictly abide by environmental laws and regulations that are applicable to our operations, including but not limited to the *Environmental Protection Law of the PRC*, the *Water Pollution Prevention Law of the PRC*, the *Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste*, as well as the *Regulations on the Administration of Construction Project Environmental Protection*. During the Reporting Period, the Group was not aware of any violation relating to environmental protection. The Group is committed to fulfilling these requirements and has signed EHS responsibility letters.

During the Reporting Period, an environmental impact assessment at Zhejiang Clover indicated that there were no significant environmental impacts.

Environmental inspections report at Zhejiang Clover and Sichuan Clover by qualified third-party entities during the Reporting Period showed that all discharges aligned with national and regional standards. In addition, we established an environmental inspection plan at Zhejiang Clover to periodically inspect water pollutants, air pollutants and noise.

In 2021, in response to the PRC's "carbon peak and neutrality" target, we established voluntary, quantitative "sustainable development objectives" at Zhejiang Clover to further improve the management of environmental impacts and reduce air and carbon emissions, waste and energy and water consumption (Figure 10).

Figure 10. Sustainable Development Objectives and Action Plans for Voluntary Reduction of Environmental Impacts at Zhejiang Clover

Objective	Action Plans
Across all	◆ Continue progress towards the ISO's Environmental Management Systems' certification (ISO 14001)
Reduce air and carbon emissions	◆ Develop the *Greenhouse Gas Emission SOP* to improve management of greenhouse gas ("**GHG**") emission ◆ Establish a refrigerant use policy to promote use of carbon-friendly materials ◆ Conduct cultural activities to raise EHS awareness among employees
Reduce waste	◆ Advocate the use of online office systems, such as the Document Management System ("**DMS**"), to save paper ◆ Reduce the production of hazardous waste and entrust qualified third-party waste management entities to properly handle waste
Reduce electricity consumption	◆ Formulate and implement an Emergency Energy Conservation Plan and track progress ◆ Install more watt-hour meters to acquire more accurate data for setting future numerical targets
Reduce water consumption	◆ Develop and implement an Emergency Water Conservation Plan and track progress ◆ Conduct quarterly thematic activities to strengthen employees' awareness of water-saving approaches ◆ Establish water storage facilities for water reuse ◆ Install more water meters to acquire more accurate data for setting future numerical targets

6.2 Responding to Climate Change

6.2.1 Resilience to Climate Change

To strengthen our resilience to climate change, Zhejiang Clover developed the *Emergency Preparedness and Response Control* and our emergency management team ensures that its response measures are implemented effectively to avoid damage to assets, equipment, employee safety, etc. Zhejiang Clover classified the emergency response measures into three levels based on the potential severity of the event.

In response to the increased severity of extreme weather events such as super typhoons, floods, fires and extreme temperature fluctuations, we organized emergency response training at Sichuan Clover to improve the knowledge and skills of all employees in dealing with climate-related emergencies.

6.2.2 Energy Conservation and Carbon Reduction

To foster an energy-efficient low-carbon mode of development, we actively implemented management initiatives including monitoring energy consumption, formulating energy-saving plans and introducing energy-saving practices. For example, at Sichuan Clover, we assigned responsible personnel to confirm that electrical appliances are powered off after office hours. We also retrofitted 200 light fixtures with LED lights at the office and laboratory area and as a result, saved 160,000 kWh of energy during the Reporting Period.

We also stipulated that the temperature of the air-conditioning room should not be set below 26 degrees Celsius in the summer and should not be set above 20 degrees Celsius in the winter; doors and windows should be closed when the air-conditioning is running; and low-fluorine refrigerants are used in the air conditioning and refrigeration systems to reduce GHG emissions.

During the Reporting Period, we carried out an energy consumption analysis project and compiled an assessment report at Zhejiang Clover based on relevant laws and regulations applicable to our operating site. The report clarified relevant energy conservation and emission reduction actions, including but not limited to replacing high fluorine materials with environment-friendly refrigerant materials in the air conditioning system and incorporating energy-saving targets into employees' annual assessment.

6.3 Environmental Impacts

6.3.1 Air Emissions

At Zhejiang Clover we developed the *Emissions to Air Management guidelines*, in which we identified all exhaust emission points and set up proper maintenance schedule. At Sichuan Clover, we implemented the *Operating Procedures for Comprehensive Treatment of Solid, Liquid, and Gaseous Wastes* to establish the operating procedures of exhaust gas treatment.

To reduce the impacts of exhaust gas generated from animal laboratories at Zhejiang Clover, we installed carbon absorption equipment that purifies the exhaust gas before discharge. Photo-oxygen catalytic equipment is also used to decompose and oxidize industrial exhaust gas, with exhaust gas degraded into low molecular compounds, such as water and carbon dioxide. The treated gas is then discharged through the exhaust pipe with lower environmental impacts. To further strengthen the management of air emissions, Zhejiang Clover has engaged a qualified third-party entity to regularly inspect air pollutants.

We also installed an exhaust filter at the Sichuan Clover to treat the exhaust gas from the biological safety cabinet in the microbiology laboratory before discharging. In addition, organic exhaust gas emission sources are sealed and packaged to reduce volatilization during usage.

6.3.2 Waste Management

To standardize the waste identification, collection, storage, transportation and other process, we developed the *Waste Management* and other relevant policies at Zhejiang Clover and established the *Operating Procedures for Comprehensive Treatment of Solid, Liquid and Gaseous Wastes* at Sichuan Clover.

Zhejiang Clover arranges for qualified warehouse keepers certified by the local environmental protection authority to regularly inspect the waste storage area and ensure hazardous waste is stored properly. Zhejiang Clover also labeled all waste storage areas by function and the presence of hazards, as required. The property management organization uniformly collects, transfers and disposes of non-hazardous waste, while qualified waste disposers transport and dispose of recyclables.

Sichuan recycles or reuses recyclable waste, hands over non-hazardous waste to the municipal sanitation department for unified removal and has employed a qualified third-party treatment company to dispose of hazardous waste. Other efforts by Sichuan Clover during the Reporting Period include setting up waste classification bins, labeling of the waste storage areas and adding anti-leakage trays in the storage areas.

6.3.3 Discharge of Wastewater

To prevent environmental pollution, we conduct internal and external inspections regularly and give clear instruction on the wastewater discharge and treatment procedures to each subsidiary.

The wastewater generated from the daily operations of Zhejiang Clover is mainly industrial wastewater, domestic wastewater and rain. We established the *Water Management* at Zhejiang Clover to strengthen the evaluation and inspection of the wastewater discharge and clarify the management of the wastewater treatment facilities. In compliance with our standards, the wastewater discharged by Sichuan Clover is pretreated and then discharged into the municipal sewage treatment plant.

During the Reporting Period, we did not experience any issue with sourcing water, but water conservation is still high on our priority. Our efforts to conserve water include posting water-saving notices at water sources in Sichuan Clover and building a cooling pool and a 300m^3 collection tank for storage of recycled water at Zhejiang Clover. In cooperation with the municipal authorities, recycled water is then used for road cleaning.

In 2021, the Group launched the Document Management System and Office Automation system to promote paperless document approval processes, which effectively lowered the costs of business operation by saving paper and toner ink.

In 2021, the DMS distributed about 1,000 documents; a total of approximately 75,000 A4 papers were saved. In 2021, the OA approval system approved a total of 73,983 business procedures; a total of approximately 140,000 A4 papers were saved.

7 SOCIAL RESPONSIBILITY

Since our establishment, the Group has been striving to improve the wellbeing of patients globally by developing and manufacturing industry-leading biotechnologies and fostering global partnerships with organizations who share our mission.

7.1 Global Crisis Response with Innovative Vaccine Technology

We leveraged the Trimer-Tag™ technology platform to develop our protein-based COVID-19 vaccine candidate, SCB-2019 (CpG 1018/Alum), to address the ongoing pandemic. Our vaccine candidate is stable under standard refrigeration conditions, making it suitable for broad global distribution.

Based upon the clinical data generated to date, we plan to develop SCB-2019 (CpG 1018/Alum) for primary vaccination and as a universal booster candidate. We are pursuing conditional approval and continuing to generate additional data to support the use of SCB-2019 (CpG 1018/Alum) in the current pandemic and longer-term endemic SARS-CoV-2 setting. We remain actively engaged with the NMPA, EMA and the WHO regarding data needed to support conditional approval for SCB-2019 (CpG 1018/Alum).

7.2 Worldwide Collaboration in Equitable Vaccine Distribution

> *"We look forward to making our COVID-19 vaccine candidate available for procurement through the COVAX Facility to support equitable access to COVID-19 vaccines. With fewer than 15% of people in low income countries fully vaccinated to date, we hope to help improve equitable access and reach those in need."*
>
> Joshua Liang, CEO of the Company

To promote the equitable distribution of COVID-19 vaccines and protect the global community, the Group partnered with organizations at the center of the effort to accelerate the development and manufacturing of our vaccine candidate.

Specifically, we have established partnerships with CEPI, Dynavax, GAVI, UNICEF and PAHO, and will continue to work together to deliver a safe and effective COVID-19 vaccine candidate to countries around the world affected by the COVID-19 pandemic. We executed an advanced purchase agreement with GAVI on June 30, 2021 to supply up to 414 million vaccine doses to the COVAX Facility[3] for global allocation. On December 7, 2021, the Group entered into a long-term agreement with UNICEF, to support the supply of SCB-2019 (CpG 1018/Alum) to the COVAX Facility.

[3] The COVAX Facility serves as an invaluable resource for participants to secure access to safe and effective COVID-19 vaccines through its actively managed portfolio of vaccine candidates across a broad range of technologies.

APPENDIX 1 ESG QUANTITATIVE PERFORMANCE[4]

Environmental Aspects[5]

KPIs[6]		Unit	2021
Emissions			
A1.1	Nitrogen oxides emissions	KG	26.27
	Sulfur oxide emissions	KG	0.05
	Particulate matter emissions	KG	2.46
A1.2	Total GHG emissions (Scope 1+ Scope 2)	Tonne CO2e	17,901.21
	Total GHG emissions intensity	Tonne CO2e/Person	28.97
	GHG emissions (Scope 1)[7]	Tonne CO2e	9.32
	GHG emissions (Scope 2)[8]	Tonne CO2e	17,891.90
A1.3[9]	Total hazardous wastes produced	Tonne	59.12
	Total hazardous wastes intensity	Tonne/Person	0.10
A1.4	Total non-hazardous wastes produced	Tonne	27.05
	Total Non-hazardous wastes intensity	Tonne/Person	0.04

4 Unless otherwise specified, the Group's environmental KPIs covers the research, production and office areas of the Zhejiang Clover and Sichuan Clover. Sichuan Clover has been in operation since April 1st 2021.

5 Since the Group was at the R&D stage and no products had been produced as of the end of Reporting Period, the Group did not have any packing materials used for finished products.

6 Intensity values of environmental KPIs are calculated based on the total number of employees at Sichuan Clover and Zhejiang Clover in 2021.

7 GHG emissions (Scope 1) come from the combustion of fuel in stationary sources (diesel and petrol) and the combustion of fuel (diesel) at Sichuan Clover and Zhejiang Clover.

8 Greenhouse gas emissions (Scope 2) come from the consumption of purchased electricity and steam at Sichuan Clover and Zhejiang Clover. According to "Appendix 2: Reporting Guidance on Environmental KPIs" ("**Appendix 2**") of "How to prepare an ESG Report?" updated by The Stock Exchange of Hong Kong Limited in May 2021, the greenhouse gas emission factors of electricity used at Sichuan Clover and Zhejiang Clover refer to the "Baseline Emission Factors of China's Regional Power Grids for Emission Reduction Projects in 2019 《2019年度減排項目中國區域電網基準線排放因子》" published by the Ministry of Ecology and Environment of the PRC on 29 December 2020, while the greenhouse gas emission factors of steam used at Zhejiang Clover refer to the "Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions in Enterprises in Other Industries (Trial) 《工業其他行業企業溫室氣體排放核算方法與報告指南(試行)》" published by the National Development and Reform Commission of the PRC on 6 July 2015.

9 The scope of disclosure of hazardous waste is defined according to the "Directory of National Hazardous Waste (2021 edition) 《國家危險廢物名錄》(2021版)" published by the Ministry of Environmental Protection of the PRC.

Use of Resources		Unit	2021
A2.1	Total energy consumption[10]	'000 kWh	28,634.39
	Total energy intensity	'000kWh/Person	46.33
	Non-renewable fuel (direct) consumption	'000 kWh	38.00
	Petrol consumption	'000 kWh	34.95
	Diesel consumption	'000 kWh	3.05
	Purchase of energy (indirect) consumption	'000 kWh	28,596.39
	Electricity consumption	'000 kWh	16,333.27
	Steam consumption	'000 kWh	12,263.12
A2.2	Total water consumption	m^3	144,045.00
	Total water consumption intensity	m^3/Person	233.08

Social Aspects[11]

KPIs		Unit	2021
Employment [12]			
B1.1	Total number of employees	Person	814
	Number of employees by gender		
	Male	Person	395
	Female	Person	419
	Number of employees by age		
	Under 30	Person	467
	30-50	Person	304
	Above 50	Person	43
	Number of employees by employment type		
	Legal employees	Person	775
	Labor dispatch	Person	39
	Number of employees by geographical region		
	Chinese mainland	Person	720
	Outside the Chinese mainland	Person	94
	Number of employees by employee category[13]		
	Senior management	Person	2
	Other management	Person	6
	General employees	Person	806

[10] Energy heating value coefficient and calculation methodologies are determined under the "Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions in Enterprises in Other Industries (Trial) (《工業其他行業企業溫室氣體排放核算方法與報告指南(試行)》)" published by the National Development and Reform Commission of the PRC on 6 July 2015.

[11] Since the Group is at the clinical stage and no products have been produced as of the end of Reporting Period, KPI6.1 and KPI 6.2 of the ESG Guide do not apply to the Group. Quantifiable statistics of our social contribution are not available yet, thus KPI8.2 of the ESG Guide is not applied to the Group in 2021.

[12] Unless otherwise specified, the statistics on the number of employees encompass all employees of the Group.

		Unit	2021
B1.2[13]	Turnover rate	%	17.53
	Turnover rate by gender		
	Male	%	18.89
	Female	%	16.20
	Turnover rate by age		
	Under 30	%	10.88
	30-50	%	23.43
	Above 50	%	34.85
	Turnover rate by geographical region		
	Chinese mainland	%	18.84
	Outside the Chinese mainland	%	8.08
Health and Safety			
B2.1[14]	Number of work-related fatalities	Person	0
	Ratio of work-related fatalities	%	0
B2.2	Day lost due to work-related injury	Day	0
	Hours of health and safety training	Hour	24
	Number of fire drills	Number	1
Development and Training[15]			
B3.1	Ratio of employees trained	%	78.81
	Ratio of employees trained by gender		
	Male	%	48.11
	Female	%	51.89
	Ratio of employees trained by employee category		
	Senior management	%	0.00
	Other management	%	0.79
	General employees	%	99.21

[13] Turnover rates are calculated as the number of employees who left employment in 2021 divided by the sum of the number of employees who left employment and number of employees at the end of the Reporting Period.

[14] Since this is the first year the Group started to collect health and safety related data, only the number and rate of work-related fatalities occurred in the Reporting Period are available.

[15] The statistics on the training encompass all employees of the Group, namely the Company and its operating entities disclosed in the Annual Report.

		Unit	2021
B3.2	Average training hours per employee	Hour	5.41
	Average training hours per employee by gender		
	Male	Hour	5.11
	Female	Hour	5.70
	Average training hours per employee by employee category		
	Senior management	Hour	0.00
	Other management	Hour	1.83
	General employees	Hour	5.41
Labour Standards			
B4.1	Incident of child or forced labour	Number	0
Supply Chain Management[16]			
B5.1	Total number of suppliers	Number	938
	Number of suppliers by geographical region		
	Chinese mainland	Number	752
	Outside the Chinese mainland	Number	186
Anti-corruption			
B7.1	Number of concluded legal cases regarding corrupt practices brought against the Group or its employees	Number	0
B7.3	Hours of anti-corruption Training for Board members	Hour	6
	Hours of anti-corruption Training for employees	Hour	6

[16] KPI B5.2 of the ESG Guide are disclosed in the Sustainable Supply Chain section of the ESG Report.

APPENDIX 2: CONTENT INDEX OF THE ESG REPORTING GUIDE

ESG Indicator		Section
Mandatory Disclosure Requirements		
Governance Structure		
(i)	a disclosure of the board's oversight of ESG issues;	2.1
(ii)	the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and	2.2
(iii)	how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.	2.2
Reporting Principles		
Materiality	The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement.	1.2
Quantitative	Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed.	1.2
Consistency	The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.	1.2
Reporting Boundary		
A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.		1.3

ESG Indicator		Section
"Comply or explain" Provisions		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.	6.2, 6.3
KPI A1.1	The types of emissions and respective emissions data.	Appendix 1
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix 1
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix 1
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix 1
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	6.1
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	6.1
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	6.1, 6.2, 6.3
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Appendix 1
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Appendix 1
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	6.1
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	6.1, 6.3
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Footnote 5 in Appendix 1

ESG Indicator		Section
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	6.1, 6.2, 6.3
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	6.1, 6.2, 6.3
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	6.2
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	6.2
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	5.1
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Appendix 1
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Appendix 1
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	5.3
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Appendix 1
KPI B2.2	Lost days due to work injury.	Appendix 1
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	5.3

ESG Indicator		Section
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	5.2
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Appendix 1
KPI B3.2	The average training hours completed per employee by gender and employee category.	Appendix 1
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	5.1
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	5.1
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	5.1
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	3.2
KPI B5.1	Number of suppliers by geographical region.	Appendix 1
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	3.2
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	3.2
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	3.2

ESG Indicator		Section
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	4.1, 4.2
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Footnote 11 in Appendix 1
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Footnote 11 in Appendix 1
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	4.2
KPI B6.4	Description of quality assurance process and recall procedures.	4.1
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	4.2
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	3.1
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	3.1
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	3.1
KPI B7.3	Description of anti-corruption training provided to directors and staff.	3.1
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	7.1, 7.2
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	7.1, 7.2
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Footnote 5 in Appendix 1

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To the shareholders of Clover Biopharmaceuticals, Ltd.
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Clover Biopharmaceuticals, Ltd. (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 106 to 184, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Cut-off of research and development expenses	
The Group incurred research and development ("**R&D**") expenses of RMB1,826,301,000 as disclosed in the consolidated statement of profit or loss for the year ended 31 December 2021. A large portion of R&D expenses represented service fees paid to contract research organizations ("**CROs**") and contract development and manufacturing organizations ("**CDMOs**") (collectively referred as "Outsourced Service Providers"). The R&D activities contracted with these Outsourced Service Providers are documented in contracts and are typically performed over an extended period. Recording of these expenses in the appropriate financial reporting periods based on the progress of the R&D projects involves estimation. The Group's disclosure about R&D expenses is included in note 2.5 *Summary of significant accounting policies* and note 3 *Significant accounting judgements and estimates*.	We obtained an understanding of and evaluated the key controls over the cut-off of R&D expenses process; We inquired management about the reasons for periodical fluctuations in R&D expenses and assessed the reasonableness of those fluctuations based on our understanding of the progress of the major R&D projects during the year ended 31 December 2021; For the service fees paid/payable to the Outsourced Service Providers, we, on a sampling basis, reviewed the key terms set out in the agreements with the Outsourced Service Providers, evaluated the completion status of the R&D projects with reference to the progress reported by the project managers which are based on inputs such as number of patient enrolments, time elapsed and milestone achieved, and inspected the supporting documents, to determine whether the service fees were properly recorded in the appropriate financial reporting periods based on the respective contract terms, progress and/or the milestones achieved; We obtained external confirmation from major Outsourced Service Providers, to confirm the amount of the R&D services fees incurred for the year ended 31 December 2021 and the amounts payable under the agreements as of 31 December 2021; We evaluated the adequacy of the R&D expenses by comparing the subsequent milestone billings and payments with the accrued R&D expenses, to determine whether the R&D expenses were recorded in the appropriate financial reporting periods; We evaluated the adequacy and accuracy of the Group's disclosure about R&D expenses.

Other information included in the Annual Report

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

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

The engagement partner on the audit resulting in this independent auditor's report is Tsang Pang Sum Joe.

Ernst & Young
Certified Public Accountants
Hong Kong
29 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2021

	Notes	2021 RMB'000	2020 RMB'000
Other income and gains	5	38,262	24,341
Administrative expenses		(345,710)	(76,429)
Research and development expenses		(1,826,301)	(228,219)
Fair value changes of convertible redeemable preferred shares	22	(3,807,638)	(597,659)
Other expenses		(66,700)	(31,959)
Finance costs	7	(8,216)	(2,973)
LOSS BEFORE TAX	6	(6,016,303)	(912,898)
Income tax expense	10	–	–
LOSS FOR THE YEAR		(6,016,303)	(912,898)
Attributable to:			
Owners of the parent		(6,016,303)	(912,898)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (EXPRESSED IN RMB PER SHARE)			
Basic and diluted	12	(13.02)	(2.61)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2021

	2021 RMB'000	2020 RMB'000
LOSS FOR THE YEAR	(6,016,303)	(912,898)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company	(15,064)	–
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	(15,064)	–
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	124,555	(2,021)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	124,555	(2,021))
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	109,491	(2,021)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(5,906,812)	(914,919)
Attributable to:		
Owners of the parent	(5,906,812)	(914,919)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	155,689	65,897
Right-of-use assets	14	66,714	21,090
Intangible assets	15	13,828	277
Other non-current assets	17	32,934	51,839
Total non-current assets		269,165	139,103
CURRENT ASSETS			
Inventories	16	768,691	50,881
Prepayments, other receivables and other assets	17	1,441,637	191,032
Financial assets at fair value through profit or loss	18	30,908	–
Time deposits and restricted cash	19	67,888	290,328
Cash and cash equivalents	19	2,767,371	516,184
Total current assets		5,076,495	1,048,425
CURRENT LIABILITIES			
Trade payables	20	588,559	33,820
Other payables and accruals	21	114,524	28,655
Contract liabilities		1,423,546	–
Lease liabilities	14	21,480	4,259
Total current liabilities		2,148,109	66,734
NET CURRENT ASSETS		2,928,386	981,691
TOTAL ASSETS LESS CURRENT LIABILITIES		3,197,551	1,120,794

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities	14	46,440	18,057
Convertible redeemable preferred shares	22	–	1,127,306
Deferred income	23	1,931,963	958,172
Total non-current liabilities		1,978,403	2,103,535
Net assets/(liabilities)		1,219,148	(982,741)
EQUITY			
Equity attributable to owners of the parent			
Share capital	24	742	–
Treasury shares	24	(49)	–
Reserves	26	1,218,455	(982,741)
Total equity/(deficit)		1,219,148	(982,741)

Peng Liang
Director

Joshua Liang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2021

	Attributable to owners of the parent							
	Share capital RMB'000 (note 24)	Treasury shares RMB'000 (note 24)	Merger reserve RMB'000 (note 26(a))	Share premium RMB'000 (note 26(b))	Share-based payments reserve RMB'000 (note 26(c))	Exchange fluctuation reserve RMB'000 (note 26(d))	Accumulated losses RMB'000	Total equity RMB'000
At 1 January 2021	–	–	52,981	–	–	(2,199)	(1,033,523)	(982,741)
Loss for the year	–	–	–	–	–	–	(6,016,303)	(6,016,303)
Other comprehensive income for the year:								
Exchange differences on translation of the company	–	–	–	–	–	(15,064)	–	(15,064)
Exchange differences related to foreign operations	–	–	–	–	–	124,555	–	124,555
Total comprehensive income for the year	–	–	–	–	–	109,491	(6,016,303)	(5,906,812)
Issue of shares	40	(7)	99,312	–	–	–	–	99,345
Issue of shares from initial public offering ("IPO")	96	–	–	1,650,588	–	–	–	1,650,684
Deemed distribution to the then shareholder of a subsidiary**	–	–	(100,590)	–	–	–	–	(100,590)
Share issue expenses	–	–	–	(66,068)	–	–	–	(66,068)
Conversion of convertible redeemable preferred shares into ordinary shares	53	–	–	6,387,640	–	–	–	6,387,693
Capitalisation issue	553	(42)	–	(511)	–	–	–	–
Share-based payments	–	–	–	–	137,637	–	–	137,637
At 31 December 2021	742	(49)	51,703*	7,971,649*	137,637*	107,292 *	(7,049,826)*	1,219,148

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2021

	Attributable to owners of the parent				
	Share capital RMB'000 (note 24)	Merger reserve RMB'000 (note 26(a))	Exchange fluctuation reserve RMB'000 (note 26(b))	Accumulated losses RMB'000	Total equity RMB'000
At 1 January 2020	–	52,981	(178)	(120,625)	(67,822)
Loss for the year	–	–	–	(912,898)	(912,898)
Other comprehensive income for the year:					
Exchange differences on translation of foreign operations	–	–	(2,021)	–	(2,021)
Total comprehensive income for the year	–	–	(2,021)	(912,898)	(914,919)
At 31 December 2020	–	52,981*	(2,199)*	(1,033,523)*	(982,741)

* These reserve accounts comprise the consolidated reserves of RMB1,218,455,000 (2020: RMB(982,741,000)) in the consolidated statement of financial position.

** The deemed distribution arising from the Reorganisation as defined in note 2.1 was completed during the year ended 31 December 2021, pursuant to which a cash consideration of RMB100,590,000 was paid by the Group to Chengdu Tianhe Conventional Chinese and Medicine Technology Nurture Co., Ltd. ("**Chengdu Tianhe**"), the then ordinary shareholder of Sichuan Clover Biopharmaceuticals, Inc. ("**Sichuan Clover**"), for the acquisition of Sichuan Clover which was consolidated as a subsidiary in the Group's consolidated financial statements under the basis that the current group structure had been in existence throughout the reporting period.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(6,016,303)	(912,898)
Adjustments for:			
Interest income	5	(10,890)	(3,408)
Finance costs	7	8,216	2,973
Depreciation of property, plant and equipment	13	12,294	1,566
Depreciation of right-of-use assets	14	12,195	4,023
Amortisation of intangible assets	15	900	195
Loss on disposal of property, plant and equipment		–	6
Share-based payments expenses	25	125,214	–
Foreign exchange differences, net	6	(10,350)	31,896
Fair value changes of financial assets at fair value through profit or loss	5	(908)	–
Write-down of inventories to net realisable value	6	66,267	–
Fair value changes of convertible redeemable preferred shares	6	3,807,638	597,659
		(2,005,727)	(277,988)
Increase in inventories		(771,654)	(50,488)
Increase in prepayments, other receivables and other assets		(1,254,377)	(182,001)
Increase in trade payables		554,739	24,902
Increase in other payables and accruals		73,795	18,092
Increase in contract liabilities		1,423,546	–
Increase in deferred income		1,051,039	941,002
Cash (used in)/generated from operations		(928,639)	473,519
Interest received		10,890	3,408
Net cash flows (used in)/from operating activities		(917,749)	476,927

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(59,252)	(113,614)
Additions to intangible assets		(21,064)	(178)
Purchases of financial assets at fair value through profit or loss		(30,000)	–
Decrease/(increase) in time deposits and restricted deposits		222,440	(280,328)
Net cash flows from/(used in) investing activities		112,124	(394,120)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of transaction costs for issuance of the Company's convertible redeemable preferred shares		(6,313)	(9,265)
Proceeds from issuance of convertible redeemable preferred shares	22	1,487,456	330,911
Lease payments	14	(14,735)	(4,472)
Share issue expenses		(56,571)	(327)
Issue of shares		99,345	–
Issue of shares from IPO		1,650,684	–
Cash received from holders of preferred shares due to the Reorganisation		528,076	–
Cash paid to holders of preferred shares due to the Reorganisation		(530,179)	–
Deemed distribution to a shareholder		(100,590)	–
Net cash flows from financing activities		3,057,173	316,847
NET INCREASE IN CASH AND CASH EQUIVALENTS		2,251,548	399,654
Cash and cash equivalents at beginning of year		516,184	148,694
Effect of foreign exchange rate changes, net		(361)	(32,164)
CASH AND CASH EQUIVALENTS AT END OF YEAR		2,767,371	516,184
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	19	2,835,259	806,512
Time deposits and restricted cash	19	(67,888)	(290,328)
Cash and cash equivalents as stated in the consolidated statement of cash flows		2,767,371	516,184

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 31 October 2018. The registered address of the Company is PO Box 309, Ugland House, Grand Cayman, KYI-1104, Cayman Islands.

The Company is an investment holding company. During the year, the Group was principally engaged in the research and development of biopharmaceutical products.

The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") effective from 5 November 2021.

Information about subsidiaries

Particulars of the Company's subsidiaries as at 31 December 2021 are as follows:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of ordinary/registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Clover Biopharmaceuticals (Hong Kong) Co., Limited ("**HK Clover**")	Hong Kong 30 November 2018	HKD2,191,869,665	100%	–	Investment holding
Sichuan Clover Biopharmaceuticals, Inc. ("**Sichuan Clover**")** 四川三葉草生物製藥有限公司	People's Republic of China ("**PRC**")/ Mainland China 4 June 2007	RMB98,796,254	–	100%	Research and development
Clover Biopharmaceuticals AUS Pty Ltd. ("**Australia Clover**")	Australia 6 June 2017	AUD4,305,489	100%	–	Research and development
Zhejiang Clover Biopharmaceuticals, Inc. ("**Zhejiang Clover**")* 浙江三葉草生物製藥有限公司	PRC/Mainland China 23 August 2016	RMB70,000,000	–	100%	Research and development
Clover Biopharmaceuticals (Beijing) Co., Ltd. ("**Beijing Clover**")* 克洛菲生物製藥(北京)有限公司	PRC/Mainland China 1 September 2020	RMB1,000,000	–	100%	Research and development
Clover Biopharmaceuticals USA, Inc. ("**U.S. Clover**")	United States 6 March 2020	USD1	–	100%	Research and development

1. CORPORATE INFORMATION (Continued)

Information about subsidiaries (Continued)

Name	Place and date of incorporation/ registration and place of operations	Nominal value of ordinary/registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Chengdu Fuya Enterprise Management Co., Ltd. ("Chengdu Fuya")* 成都福雅企業管理有限公司	PRC/Mainland China 30 October 2020	RMB100,000	–	100%	Consulting
Clover Biopharmaceuticals (Shanghai) Co., Ltd. ("**Shanghai Clover**")* 愷洛菲生物製藥(上海)有限公司	PRC/Mainland China 9 February 2021	RMB1,000,000	–	100%	Research and development
Clover biopharmaceuticals Ireland Limited ("**Ireland Clover**")	Ireland 14 April 2021	EUR4,322,269.33	–	100%	Research and development
Clover Biopharmaceuticals UK Ltd ("**U.K. Clover**")	England and Wales 13 October 2021	GBP2,500,010	–	100%	Research and development

* The English names of the companies registered in the PRC represent the best efforts made by management of the Company to translate the Chinese names of the companies as they do not have official English names.

** Registered as a wholly-foreign-owned enterprise under PRC law.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, as more fully explained in the paragraph headed "Reorganisation" in the section headed "History, Reorganization and Corporate Structure" in the prospectus of the Company dated 5 November 2021 (the "**Prospectus**"), the Company became the holding company of the companies now comprising the Group on 16 March 2021.

As the Reorganisation mainly involved inserting new holding companies and has not resulted in any change of economic substance, the financial statements for the reporting period have been presented as a continuation of the existing companies using the pooling of interest method as if the Reorganisation had been completed at the beginning of the reporting periods.

Accordingly, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the reporting period include the consolidated results and cash flows of the Group as if the current group structure had been in existence throughout the reporting period. The consolidated statement of financial position of the Group as at the end of each of the reporting period include the consolidated assets and liabilities of all companies now comprising the Group as if the current group structure had been in existence throughout the reporting periods. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (the "**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board (the "**IASB**"), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial assets and financial liabilities which have been measured at fair value through profit or loss. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand ("**RMB'000**") except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to IFRS 16	*COVID-19-Related Rent Concessions*

The nature and the impact of the revised IFRSs are described below:

(a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments did not have any impact on the financial position and performance of the Group.

(b) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease.

During the year ended 31 December 2021, no lease of the Group has been reduced or waived by the lessors as a result of the COVID-19 pandemic. The amendment did not have any impact on the financial position and performance of the Group.

2.4 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the financial statements. The Group intends to adopt them, if applicable, when they become effective.

Amendments to IFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to IAS 28 and IFRS 10	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IFRS 17	*Insurance Contracts*[2,4]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to IAS 8	*Definition of Accounting Estimates*[2]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021*[5]
Amendment to IFRS 17	*Initial Application of IFRS17 and IFRS9 – Comparative Information*[2]
Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[1]

1 Effective for annual periods beginning on or after 1 January 2022

2 Effective for annual periods beginning on or after 1 January 2023

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

5 Effective for annual periods beginning on or after 1 April 2021

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 are intended to replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting issued in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

2.4 ISSUED BUT NOT YET EFFECTIVE IFRSS (Continued)

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1 Classification of Liabilities as Current or Non-current clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 Disclosure of Accounting Policies require entities to disclose their material accounting policy information rather than their significant accounting policies. 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. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 ISSUED BUT NOT YET EFFECTIVE IFRSS (Continued)

Amendments to IAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendment to IFRS 16 extend the availability of the practical expedient for any reduction in lease payments that affects only payments originally due on or before 30 June 2022 (the "2021 Amendment"). The 2021 Amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. The amendment are not expected to have any significant impact on the Group's financial statements.

2.4 ISSUED BUT NOT YET EFFECTIVE IFRSS (Continued)

Annual Improvements to IFRS Standards 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

The Group measures its derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the Group are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the Group are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

  (vi) the entity is controlled or jointly controlled by a person identified in (a);

  (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

  (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	5%
Machinery	10%
Electronic and other equipment	19% to 32%
Vehicles	24%
Leasehold improvements	Over the shorter of the residual useful life and lease terms

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Intangible assets not yet available for use are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill) (Continued)

Know-how

Know-how is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 5 years. When estimating the useful lives of the know-how, the Company takes into account factors including the duration of know-how, the anticipated duration of sales of products after know-how expiration, as well as the useful lives of similar assets in the marketplace.

Software

Software is stated at cost less any impairment losses and is amortised on the straight-line basis over the estimated useful life of 3 to 10 years. The estimated useful life of software is determined by considering the period of the economic benefits to the Group as well as by referring to the industry practice.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to seven years, commencing from the date when the products are put into commercial production.

Leases

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

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee (Continued)

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Categories	Estimated useful lives
Leasehold buildings	2 to 7 years
Office equipment	3 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee (Continued)

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of offices, machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that is considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Initial recognition and measurement (Continued)

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

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

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

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

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

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Subsequent measurement (Continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets (Continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

General approach (Continued)

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to related parties, lease liabilities, and convertible redeemable preferred shares.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the year, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business consolidation and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binominal model, further details of which are given in note 25 to the financial statements.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme. The Group did not have any forfeited contribution for reporting period in connection with the defined contribution plan operated by local governments.

Dividends

Dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed dividends are disclosed in the notes to the financial statements.

Foreign currencies

These financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of the Company and certain overseas subsidiaries are currencies other than RMB. The functional currency of the Company is the United States Dollar ("**USD**"). As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

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

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Significant judgement in determining the lease term of contracts with renewal options

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group includes the renewal period as part of the lease term for leases of buildings due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., three to five years) and there will be a significant negative effect on production if a replacement is not readily available.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each of the reporting period. Intangible assets not yet available for intended use are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Development costs

Development costs are capitalised in accordance with the accounting policy for research and development costs in note 2.5 to the financial statements. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

Provision for inventories

The Group reviews the carrying amounts of the inventories at the end of each of the reporting period to determine whether the inventories are carried at the lower of cost and net realisable value. The net realisable value is estimated based on current market situation and historical experience. Any change in the assumptions would increase or decrease the amount of inventories written down or the related reversals of write-down and affect the Group's financial position.

Useful lives of intangible assets

The intangible assets are amortised on the straight-line basis by taking into account the residual value. The Group reviews the estimated useful lives on an annual basis to determine the related amortisation charges for its intangible assets. The estimation is based on the legal protection period, with consideration of market condition. Management will increase the amortisation charges when useful lives become shorter than previously estimated.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and the related depreciation charge for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation charge in the future periods.

Accrual of research and development costs

The Group engages contract research organizations ("**CROs**") and contract development and manufacturing organizations ("**CDMOs**") (collectively referred as "**Outsourced Service Providers**") to conduct, supervise, and monitor the Group's clinical trials, or to develop manufacturing processes to support the Group's own manufacturing capacities. Determining the amounts of research and development costs incurred up to the end of each reporting period requires the management of the Group to estimate and measure the progress of receiving research and development services under the contracts with Outsourced Service Providers using inputs such as number of patient enrolments, time elapsed and milestone achieved when the Group has not yet been invoiced or otherwise notified of the actual costs.

Estimation of the fair value of financial liabilities through profit or loss

Certain financial liabilities are measured at fair value at the end of each of the reporting period as disclosed in note 31 to the financial statements.

The convertible redeemable preferred shares issued by the Company are not traded in an active market and the respective fair value is determined by using valuation techniques. The Group applied the Back-solve Approach to determine the underlying equity value of the Company and adopted the option-pricing method and equity allocation model to determine the fair value of the convertible redeemable preferred shares. Key assumptions such as the timing of the liquidation, redemption or the event as well as the probability of the various scenarios were based on the Group's best estimates. Further details are included in note 22 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Fair value measurement of share-based payments

The Group has set up the share option scheme and granted options to the Group's employees, and granted restricted share units to the Company's directors and the Group's consultants. The fair value of the options is determined by the binominal option-pricing model at the grant dates for options granted to directors and employees, and at the service provision dates for the consultants. Significant estimates on assumptions, including the underlying equity value, discount rate, expected volatility, and dividend yield, are made by management. Further details are included in note 25 to the financial statements.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgement on the future tax treatment of certain transactions and when certain matters relating to the income taxes have not been confirmed by the local tax bureau. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised in respect of deductible temporary differences and unused tax losses. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and the losses can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered. Further details are included in note 10 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purpose, the Group has only one reportable operating segment, which is the research and development of biopharmaceutical products. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

Geographical information

(a) Non-current assets

	2021 RMB'000	2020 RMB'000
Mainland China	266,868	139,103
Other countries/regions	2,297	–
	269,165	139,103

The non-current asset information above is based on the locations of the assets.

5. OTHER INCOME AND GAINS

	2021 RMB'000	2020 RMB'000
Bank interest income	10,890	3,408
Government grants*	14,226	20,359
Foreign exchange differences, net	10,350	–
Fair value gains, net:		
Financial assets at fair value through profit or loss	908	–
Others	1,888	574
	38,262	24,341

* Government grants have been received from the local government authorities to support the subsidiaries' research and development activities and the purchase of certain items of property, plant and equipment. There are no unfulfilled conditions related to these government grants.

6. LOSS BEFORE TAX

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

	Notes	2021 RMB'000	2020 RMB'000
Research and development costs (excluding related employee benefit expenses, depreciation and amortisation)		1,530,412	159,485
Depreciation of property, plant and equipment	13	7,616	1,566
Depreciation of right-of-use assets	14	12,195	4,023
Amortisation of intangible assets	15	900	195
Lease payments not included in the measurement of lease liabilities	14	1,488	–
Fair value changes of convertible redeemable preferred shares	22	3,807,638	597,659
Listing expenses		33,619	1,991
Auditor's remuneration		2,360	–
Employee benefit expenses (including directors' and chief executive's remuneration (note 8)):			
Wages, salaries and welfare		320,634	98,748
Pension scheme contributions		15,932	1,191
Share-based payments expenses	25	123,740	–
Total of employee benefit expenses		460,306	99,939
Foreign exchange differences, net		(10,350)	31,896
Write-down of inventories to net realisable value*		66,267	–

* The write-down of inventories to net realisable value is included in "Other expenses" in the consolidated statement of profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 RMB'000	2020 RMB'000
Transaction cost for issuance of the Group's convertible redeemable preferred shares	5,696	1,316
Interest on lease liabilities (note 14)	2,520	1,657
	8,216	2,973

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2021 RMB'000	2020 RMB'000
Salaries, allowances and benefits in kind	11,106	7,307
Share-based payments expenses	10,915	–
	22,021	7,307

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 25 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2021 RMB'000	2020 RMB'000
Dr. Xiaobin Wu	565	–
Mr. Xiang Liao	541	–
Mr. Jeffrey Farrow	544	–
Mr. Thomas Leggett	572	–
	2,222	–

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

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

	Salaries, allowances and benefits in kind RMB'000	Share-based payments expenses RMB'000	Pension scheme contributions RMB'000	Fees RMB'000	Total remuneration RMB'000
Year ended 31 December 2021					
Executive directors:					
Dr. Peng Liang	3,398	3,969	–	–	7,367
Mr. Joshua Liang (chief executive)	7,708	6,946	–	–	14,654
	11,106	10,915	–	–	22,021
Non-executive directors:					
Dr. Xiaodong Wang	–	441	–	100	541
Mr. Ting Xiao	–	–	–	–	–
Mr. Dong Lyu	–	–	–	–	–
	–	441	–	100	541
Year ended 31 December 2020					
Executive directors:					
Dr. Peng Liang	3,247	–	–	–	3,247
Mr. Joshua Liang (chief executive)	4,060	–	–	–	4,060
	7,307	–	–	–	7,307
Non-executive directors:					
Dr. Xiaodong Wang	–	–	–	–	–
Mr. Ting Xiao	–	–	–	–	–
Mr. Guangyu Xu	–	–	–	–	–
	–	–	–	–	–

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year ended 31 December 2021 included the chief executive (2020: one director and the chief executive), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the five highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	24,943	9,734
Pension scheme contributions	1,845	275
Share-based payments expenses	32,995	–
	59,783	10,009

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December	
	2021	2020
Nil to HKD10,000,000	–	3
HKD12,000,001 to HKD12,500,000	1	–
HKD18,000,001 to HKD18,500,000	1	–
HKD18,500,001 to HKD19,000,000	1	–
HKD22,500,001 to HKD23,000,000	1	–
	4	3

10. INCOME TAX

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

Cayman Islands

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

Hong Kong

The subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong. No provision for Hong Kong profits tax has been made as the Group has no assessable profits derived from or earned in Hong Kong during the year.

10. INCOME TAX (Continued)

Mainland China

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the "**CIT Law**"), the subsidiaries which operate in Mainland China are subject to CIT at a rate of 25% (2020: 25%) on the taxable income.

Australia

The subsidiary incorporated in the Australia is subject to Australia statutory corporate income tax at a rate of 30%. However, the rate is reduced to 25% (2020: 30%) following a preliminary assessment of the base rate entity rules in accordance with the Australian tax law during the year.

United States of America

The subsidiary incorporated in Delaware, United States was subject to statutory United States federal corporate income tax at a rate of 21% (2020: 21%) during the year.

Ireland

The subsidiary incorporated in Ireland is subject to Ireland corporate income tax at a rate of 25% on the estimated assessable profits arising in Ireland during the year.

A reconciliation of the tax expense applicable to loss before tax at the statutory rate for the jurisdiction in which the majority of the Group's subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	2021 RMB'000	2020 RMB'000
Loss before tax	(6,016,303)	(912,898)
Tax at the statutory tax rate of 25%	(1,504,076)	(228,225)
Effect of tax rate differences in other jurisdictions	972,946	(4,267)
Expenses not deductible for tax	72,113	39
Additional deductible allowance for qualified research and development costs	(32,108)	(17,929)
Tax losses utilised from previous periods	(70,246)	–
Deductible temporary differences not recognised	463,679	152,235
Tax losses not recognised	97,692	98,147
Tax charge at the Group's effective tax rate	–	–

10. INCOME TAX (Continued)

The Group had accumulated tax losses of RMB701,498,000 (2020: RMB483,329,000) as at 31 December 2021, out of which the tax losses in Mainland China are available for a maximum of five years for offsetting against future taxable profits of the companies in which the losses arose, while the tax losses incurred by overseas entities can be carried forward permanently to offset against the future taxable profits of these companies in which the losses arose. The Group in Mainland China had accumulated tax losses of RMB355,638,000 (2020: RMB347,287,000) as at 31 December 2021. The Group's overseas entities had accumulated tax losses of RMB345,860,000 (2020: RMB136,042,000) as at 31 December 2021.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

11. DIVIDENDS

No dividends have been declared and paid by the Company for the year ended 31 December 2021 (2020: nil).

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

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent of RMB6,016,303,000 (2020: RMB912,898,000) and the weighted average number of ordinary shares. The weighted average number of shares for the year ended 31 December 2021 is determined based on 462,117,327 shares (after adjusted for the effect of the capitalisation issue) in issue during the year. The weighted average number of shares for the year ended 31 December 2020 is determined based on 350,000,000 shares (after adjusted for the effect of the capitalisation issue) issued pursuant to the Reorganisation had been in issue throughout the year ended 31 December 2020.

The calculation of the diluted loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

As the Group incurred losses, no adjustment has been made to the basic loss per share amounts presented for the year ended 31 December 2021 (2020: nil) as the impact of the conversion of the convertible redeemable preferred shares and share options and restricted share units outstanding had an anti-dilutive effect on the basic loss per share amounts presented. Accordingly, the dilutive loss per share amounts for the years ended 31 December 2021 and 2020 are the same as the basic loss per share amounts.

12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Continued)

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

	2021 RMB'000	2020 RMB'000
Loss		
Loss attributable to owners of the parent, used in the basic loss per share calculation:	(6,016,303)	(912,898)

	Number of shares	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	462,117,327	350,000,000

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery RMB'000	Electronic and other equipment RMB'000	Vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2021							
At 1 January 2021:							
Cost	–	21,221	7,089	173	6,062	38,290	72,835
Accumulated depreciation	–	(4,307)	(1,147)	(37)	(1,447)	–	(6,938)
Net carrying amount	–	16,914	5,942	136	4,615	38,290	65,897
At 1 January 2021, net of accumulated depreciation	–	16,914	5,942	136	4,615	38,290	65,897
Additions	–	–	463	–	–	101,623	102,086
Transfers	29,746	54,125	18,575	–	5,316	(107,762)	–
Depreciation provided during the year (note 6)	(955)	(4,482)	(4,036)	(43)	(2,778)	–	(12,294)
At 31 December 2021, net of accumulated depreciation	28,791	66,557	20,944	93	7,153	32,151	155,689
At 31 December 2021:							
Cost	29,746	75,346	26,127	173	11,378	32,151	174,921
Accumulated depreciation	(955)	(8,789)	(5,183)	(80)	(4,225)	–	(19,232)
Net carrying amount	28,791	66,557	20,944	93	7,153	32,151	155,689

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Machinery RMB'000	Electronic and other equipment RMB'000	Vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2020						
At 1 January 2020:						
Cost	6,877	1,414	–	2,221	–	10,512
Accumulated depreciation	(3,891)	(974)	–	(656)	–	(5,521)
Net carrying amount	2,986	440	–	1,565	–	4,991
At 1 January 2020, net of accumulated depreciation	2,986	440	–	1,565	–	4,991
Additions	8	102	173	3,841	58,354	62,478
Disposals	(3)	(3)	–	–	–	(6)
Transfers	14,408	5,656	–	–	(20,064)	–
Depreciation provided during the year (note 6)	(485)	(253)	(37)	(791)	–	(1,566)
At 31 December 2020, net of accumulated depreciation	16,914	5,942	136	4,615	38,290	65,897
At 31 December 2020:						
Cost	21,221	7,089	173	6,062	38,290	72,835
Accumulated depreciation	(4,307)	(1,147)	(37)	(1,447)	–	(6,938)
Net carrying amount	16,914	5,942	136	4,615	38,290	65,897

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of buildings and office equipment used in its operations. Leases of buildings generally have lease terms between 2 and 7 years and leases of office equipment generally have lease terms of 3 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are several lease contracts that include extension options, which are further discussed below.

(1) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold buildings RMB'000	Office equipment RMB'000	Total RMB'000
At 1 January 2020	12,437	–	12,437
Additions	12,625	51	12,676
Depreciation charge (note 6)	(4,018)	(5)	(4,023)
At 31 December 2020 and 1 January 2021	21,044	46	21,090
Additions	64,961	–	64,961
Reassessment of a lease term arising from a decision not to exercise the extension option	(7,142)	–	(7,142)
Depreciation charge (note 6)	(12,186)	(9)	(12,195)
At 31 December 2021	66,677	37	66,714

14. LEASES (Continued)

The Group as a lessee (Continued)

(2) Lease liabilities

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

	2021 RMB'000	2020 RMB'000
Carrying amount at beginning of year	22,316	12,455
New leases	64,961	12,676
Accretion of interest recognised during the year	2,520	1,657
Reassessment of a lease term arising from a decision not to exercise the extension option	(7,142)	–
Payments	(14,735)	(4,472)
Carrying amount at end of year	67,920	22,316
Analysed into:		
Current portion	21,480	4,259
Non-current portion	46,440	18,057

The maturity analysis of lease liabilities is disclosed in note 32 to the financial statements.

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

	2021 RMB'000	2020 RMB'000
Interest on lease liabilities (note 7)	2,520	1,657
Depreciation charge of right-of-use assets (note 6)	12,195	4,023
Expense relating to short-term leases and leases of low-value assets (note 6)	1,488	–
Total amount recognised in profit or loss	16,203	5,680

14. LEASES (Continued)

The Group as a lessee (Continued)

(4) Extension options

Most of the leases across the Group contained extension options. These terms were used to maximise operational flexibility in terms of managing contracts and have been reflected in measuring lease liabilities in all these cases because the options have been reasonably certain to be exercised. This is generally the case when the underlying assets have been allocated for use after the exercise date of an extension option. The lease liabilities arising from the potential future rental payments relating to periods following the exercise dates of extension options were RMB23,122,811 as at 31 December 2021 (2020: RMB14,192,000).

Set out below are the undiscounted potential future rental payments relating to the periods following the exercise date of extension and termination options that are not included in the lease terms:

	Payable within five years RMB'000
2021	
Extension options expected not to be exercised	3,595

	Payable within five years RMB'000
2020	
Extension options expected not to be exercised	–

(5) The total cash outflow for leases is disclosed in note 27(c) to the financial statements.

15. INTANGIBLE ASSETS

	Know-how RMB'000	Software RMB'000	Total RMB'000
31 December 2021			
Cost at 1 January 2021, net of accumulated amortisation	–	277	277
Additions	–	14,451	14,451
Amortisation provided during the year (note 6)	–	(900)	(900)
At 31 December 2021	–	13,828	13,828
At 31 December 2021			
Cost	35,805	15,070	50,875
Accumulated amortisation	(35,805)	(1,242)	(37,047)
Net carrying amount	–	13,828	13,828
31 December 2020			
Cost at 1 January 2020, net of accumulated amortisation	–	294	294
Additions	–	178	178
Amortisation provided during the year (note 6)	–	(195)	(195)
At 31 December 2020	–	277	277
At 31 December 2020:			
Cost	35,805	619	36,424
Accumulated amortisation	(35,805)	(342)	(36,147)
Net carrying amount	–	277	277

16. INVENTORIES

	2021 RMB'000	2020 RMB'000
Raw materials	702,595	50,881
Work in progress	132,363	–
Impairment	(66,267)	–
	768,691	50,881

17. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2021 RMB'000	2020 RMB'000
Prepayments	1,374,978	220,165
Value-added tax recoverable	73,477	18,423
Other receivables	26,116	4,283
	1,474,571	242,871
Analysed into:		
Non-current portion	32,934	51,839
Current portion	1,441,637	191,032

Prepayments primarily consisted of advance payments to suppliers for raw materials, research and development services and machinery.

Value-added tax recoverable represented the value-added tax that can be used for future deduction.

The financial assets included in the above balances are other receivables that primarily consisted of deposits relating to office lease or services, which are non-interest-bearing, unsecured and repayable on demand. Other receivables had no history of default and were categorised in stage 1 at the end of each year.

To measure the expected credit losses, other receivables have been grouped based on shared credit risk characteristics and the ageing. In calculating the expected credit loss rate, the Company considers the historical loss rate and adjusts for forward-looking macroeconomic data. During the year, the Company estimated that the expected credit loss rate for other receivables is minimal, as there was no history of default of other receivables and there is no significant change in the economic factors based on the assessment of the forward-looking information. The directors of the Company are of the opinion that the ECL in respect of these balances is minimal.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 RMB'000	2020 RMB'000
Investments in financial products, at fair value	30,908	–

The above investments in financial products were issued by banks in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

19. CASH AND CASH EQUIVALENTS

	2021 RMB'000	2020 RMB'000
Cash and cash equivalents	2,767,371	516,184
Time deposits and restricted cash	67,888	290,328
	2,835,259	806,512
Less:		
Time deposits with original maturity more than three months	(61,088)	(270,328)
Restricted cash*	(6,800)	(20,000)
Cash and cash equivalents	2,767,371	516,184
Denominated in:		
RMB	533,803	48,448
USD	935,826	461,200
AUD	9,962	6,536
HKD	1,245,435	–
GBP	42,345	–
Cash and cash equivalents	2,767,371	516,184

* The restricted cash at 31 December 2021 and 2020 was government funding received by Sichuan Clover, the withdrawal of which is subject to the approval of the government authority.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. The remittance of funds out of Mainland China is subject to exchange restrictions imposed by the PRC government.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for twelve months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

20. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the year, based on the invoice date, is as follows:

	2021 RMB'000	2020 RMB'000
Within 6 months	584,783	33,102
6 to 12 months	2,411	183
Over 1 year	1,365	535
	588,559	33,820

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 60 days.

21. OTHER PAYABLES AND ACCRUALS

	2021 RMB'000	2020 RMB'000
Payroll payable	61,164	19,128
Service fee payable	29,820	5,141
Amounts due to related parties	–	938
Payables for acquisition of property, plant and equipment	15,372	1,186
Other payables	2,249	840
Taxes other than income tax	5,919	1,422
	114,524	28,655

Other payables and accruals are non-interest-bearing and have no fixed terms of settlement.

22. CONVERTIBLE REDEEMABLE PREFERRED SHARES

Convertible redeemable preferred shares issued by the Group are convertible or redeemable upon occurrence of certain future events. These instruments can also be converted into ordinary shares of the Company at any time at the option of the holders, or automatically upon occurrence of an initial public offering of the Company' shares, or when agreed by the holders of ordinary shares and the holders of each class of the preferred shares.

The Group has completed several rounds of financing arrangements by issuing preferred shares, details of which are included below:

	Date of issuance	Purchase price per share USD	Number of Preferred Shares	Total consideration Denominated in RMB'000
Series A Preferred Shares	13 September 2017	1.20539	4,380,000	35,000
Series A Preferred Shares	25 December 2017	1.20539	1,510,000	12,070
Series A Preferred Shares	24 January 2018	1.20539	1,961,413	15,690
Series B Preferred Shares*	9 December 2019	1.4048	30,545,245	304,125
Series B-2 Preferred Shares	5 June 2020	2.31751	10,399,596	171,786
Series C Preferred Shares	16 March 2021	6.73102	34,170,135	1,487,456
			82,966,389	2,026,127

* Consideration of RMB145,000,000 was received in 2019, and consideration of RMB159,125,000 was received in 2020.

In March 2021, the Company issued 34,170,135 Series C Preferred Shares at a price of USD6.73102 per share for a total consideration of USD230,000,000. According to the Memorandum of Association of the Company revised in March 2021, the key terms of the Series A Preferred Shares, Series B Preferred Shares, and Series C Preferred Shares (collectively, "**Preferred Shares**") are summarised as follows:

Dividend rights

Subject to the provisions of the Company's Second Amended and Restated Articles of Association of the Company ("**Articles of Association**"), as originally framed or amended and restated from time to time, the board of director may from time to time declare dividends on the issued and outstanding shares of the Company and authorise payment of the same out of the funds of the Company legally available therefor. No dividend, whether in cash, in property or in shares of the capital of the Company, shall be paid on or declared and set aside for any ordinary shares or any other class or series of shares of the Company unless and until (a) all declared but unpaid dividends on the Preferred Shares have been paid in full (calculated on as-converted basis), and (b) a distribution in like amount is likewise declared, paid, set aside or made, respectively, at the same time with respect to each issued and outstanding Preferred Share such that the distribution declared, paid, set aside or made to the holder thereof shall be equal to the distribution that such holder would have received if such Preferred Share had been converted into ordinary shares immediately prior to the record date for such distribution, or if no such record date is established, the date such distribution is made.

22. CONVERTIBLE REDEEMABLE PREFERRED SHARES (Continued)

Conversion rights

Unless converted earlier pursuant to the Automatic Conversion as defined below, each holder of Preferred Shares shall have the right, at such holder's sole discretion, to convert all or any portion of its Preferred Shares into ordinary shares at any time prior to the consummation of a qualified IPO of the Company, without the payment of any additional consideration.

The conversion ratios of each class of the Preferred Shares, shall be respectively determined by dividing their respective issue price, by the conversion price then in effect at the date of the conversion with respect to such particular series of Preferred Shares.

The initial conversion prices of each class of the Preferred Shares will be their respective issue price, each of which will be subject to adjustments to reflect share dividends, share splits, recapitalization and other events.

Each class or series of Preferred Shares shall automatically be converted into ordinary shares at the then applicable conversion price without the payment of any additional consideration upon the earlier of (i) the consummation of a qualified IPO, and (ii) the prior written approval of the holders of at least two-thirds (2/3) of such class or series of Preferred Shares (on an as-converted basis, "**Automatic Conversion**").

Liquidation preferences

In the event of any liquidation, dissolution or winding up of the Company, either voluntary or involuntary (each, a "**Liquidation Event**") or the consummation of a Deemed Liquidation Event (see the definition below), all assets and funds of the Company legally available for distribution to the Members (after satisfaction of all creditors' claims and claims that may be preferred by the applicable laws) shall be distributed to the Members in the following sequence:

(a) First, the holders of the Series C Preferred Shares shall receive, for each Series C Preferred Share held by such holder, on parity with each other and prior and in preference to any distribution Share held by such holder, on parity with each other and prior and in preference to any distribution Share held by such holder, on parity with each other and prior and in preference to any distribution equal to the Series C Issue Price with a simple interest of eight percent (8%) per annum return accruing from the Series C Original Issue Date, plus all declared but unpaid dividends thereon (the "**Series C Preference Amount**"). If the assets and funds thus distributed among the holders of the Series C Preferred Shares shall be insufficient to permit the payment to such holders of the full Series C Preference Amount, then the entire assets and funds of the Company legally available for distribution shall be distributed ratably among the holders of the Series C Preferred Shares in proportion to the aggregate Series C Preference Amount each such holder is otherwise entitled to receive pursuant to this clause (a);

22. CONVERTIBLE REDEEMABLE PREFERRED SHARES (Continued)

Liquidation preferences (Continued)

(b) If there are any assets or funds remaining after the aggregate Series C Preference Amount has been distributed or paid in full to the holders of Series C Preferred Shares pursuant to clause (a) above, the holders of the Series B Preferred Shares and Series B-2 Preferred Shares (being treated as a single class) shall receive, for each Series B Preferred Share or Series B-2 Preferred Share, as applicable, held by such holder, on parity with each other and prior and in preference to any distribution of any of the assets or funds of the Company to the holders of the Series A Preferred Shares and the Ordinary Shares, the amount equal to the Series B Issue Price or Series B-2 Issue Price, as applicable, with a simple interest of eight percent (8%) per annum return accruing from the Series B Original Issue Date or the Series B-2 Original Issue Date, as applicable, plus all declared but unpaid dividends thereon (the "Series B Preference Amount"). If the assets and funds thus distributed among the holders of the Series B Preferred Shares and Series B-2 Preferred Shares shall be insufficient to permit the payment to such holders of the full Series B Preference Amount, then the entire assets and funds of the Company legally available for distribution shall be distributed ratably among the holders of the Series B Preferred Shares and Series B-2 Preferred Shares in proportion to the aggregate Series B Preference Amount each such holder is otherwise entitled to receive pursuant to this clause (b); and

(c) If there are any assets or funds remaining after the aggregate Series C Preference Amount and the Series B Preference Amount have been distributed or paid in full to the holders of Series B Preferred Shares and Series B-2 Preferred Shares pursuant to clauses (a) above, the remaining assets and funds of the Company legally available for distribution to the Members shall be distributed ratably among all Members on an as-converted basis (treating for this article (c) all the Preferred Shares as if they had been converted to Ordinary Shares at the then applicable Conversion Price in effect immediately prior to such Liquidation Event or Deemed Liquidation Event).

The following events shall be deemed a liquidation, dissolution or winding up of the Company (each a "**Deemed Liquidation Event**"):

(a) any consolidation, amalgamation, or merger of the Company with or into any other corporation or other entity or person, or any other corporate reorganization in which the shareholders of the Company immediately prior to such consolidation, amalgamation, merger or reorganisation own less than fifty percent (50%) of the Company's voting power in the aggregate immediately after such consolidation, amalgamation, merger or reorganisation; and

(b) a sale, transfer, lease or other disposition of all or substantially all of the assets of the Company, or the exclusive licensing of all or substantially all of the Company's assets (including intellectual property) to a third party.

22. CONVERTIBLE REDEEMABLE PREFERRED SHARES (Continued)

Redemption feature

Unless prohibited by the applicable laws, if

(a) there is any material breach or violation of, or inaccuracy or misrepresentation in any representation or warranty made by any companies of the Group, the founder or key personnel in the transaction warranty made by any companies of the Group, the founder or key personnel in the transaction documents or any material breach or violation of any undertaking, covenant or obligation by any companies of the Group, the founder or key personnel contained in the transaction documents and such breach, if curable, is not cured to the satisfaction of the majority holders of the Preferred Shares within ninety (90) days following written notice served by any holder of Preferred Shares to the Company,

(b) the Company has not consummated a qualified IPO on or prior to 10 February 2027, or

(c) any holder of the Preferred Shares, requires the Company to redeem its Preferred Shares, at any time thereafter, any holder of the Preferred Shares, may require the Company to redeem its Preferred Shares.

In such event, if a redemption is requested by a holder of certain series of Preferred Shares, the relevant Preferred Shares shall be redeemed by the Company at a price per share equal to its issue price of a simple rate of eight percent (8%) per annum return calculating from that the original issue date of the certain series of Preferred Shares to the applicable redemption date, plus all declared but unpaid dividends thereon.

Accounting for Preferred Shares

The Company does not bifurcate any embedded derivatives from the host instruments and has designated the entire instruments as financial liabilities at fair value through profit or loss. Any directly attributable transaction costs are recognised as finance costs in profit or loss. Subsequent to initial recognition, the fair value change of the Preferred Shares is recognised in profit or loss except for the portion attributable to credit risk change which shall be recognised in other comprehensive income, if any. The directors of the Company considered that there is no material credit risk change during the year.

22. CONVERTIBLE REDEEMABLE PREFERRED SHARES (Continued)

Accounting for Preferred Shares (Continued)

The movements of the convertible redeemable preferred shares are set out below:

	Series A Preferred Shares RMB'000	Series B Preferred Shares RMB'000	Series B-2 Preferred Shares RMB'000	Series C Preferred Shares RMB'000	Total RMB'000
At 1 January 2020	53,312	145,424	–	–	198,736
Issue	–	159,125	171,786	–	330,911
Changes in fair value	114,520	401,367	81,772	–	597,659
At 31 December 2020 and at 1 January 2021	167,832	705,916	253,558	–	1,127,306
Issue	–	–	–	1,487,456	1,487,456
Changes in fair value	439,366	1,657,190	551,816	1,159,266	3,807,638
Converted to ordinary shares upon the completion of the IPO	(604,491)	(2,351,719)	(800,679)	(2,630,804)	(6,387,693)
Currency translation differences	(2,707)	(11,387)	(4,695)	(15,918)	(34,707)
At 31 December 2021	–	–	–	–	–

The Group applied the Back-solve Approach method to determine the underlying equity value of the Group based on recent transactions in the Company's shares, and then adopted the option-pricing method in equity allocation model to determine the fair value of the convertible redeemable preferred shares. Key assumptions are set out below:

	2021	2020
Risk-free interest rate	0.05%	0.07%
Lack of marketability discount	2.77%-14.13%	5.76%-11.23%
Volatility	59.44%	54.81%

The Group estimated the risk-free interest rate based on the yield of the United States Government bond or Hong Kong Bond as of each valuation date with a maturity life equal to the period from the respective appraisal dates to the expected liquidation date. The lack of marketability discount was estimated based on the option-pricing method. Under the option-pricing method, the cost of a put option, which can theoretically hedge the price change before the privately held share can be sold, was considered as a basis to determine the discount for lack of marketability. The volatility was estimated based on historical volatility of comparable companies as of the valuation date. Probability weight under each of the redemption feature and liquidation preferences were based on the Group's best estimates.

22. CONVERTIBLE REDEEMABLE PREFERRED SHARES (Continued)

Accounting for Preferred Shares (Continued)

Management considered that fair value changes of the Preferred Shares that are attributable to changes of credit risk of these instruments are not material.

On 5 November 2021, the Company was successfully listed on the Stock Exchange and made an offering of 150,000,000 shares at a price of HKD13.38 per share. All Preferred Shares were converted into ordinary shares upon completion of the IPO on 5 November 2021. The fair value of each Preferred Share after capitalisation issue on the conversion date is the offer price in the global offering.

The completion of the successful IPO has triggered the automatic termination of all the special rights granted to the shareholders of Preferred Shares.

23. DEFERRED INCOME

	2021 RMB'000	2020 RMB'000
Deferred revenue (a)	1,899,846	931,055
Deferred government grants (b)	32,117	27,117
	1,931,963	958,172

(a) Deferred revenue represented the amount of funding received from Coalition for Epidemic Preparedness Innovations ("**CEPI**") by the end of the reporting period. Sichuan Clover and Australia Clover signed the Outbreak Response Funding Agreement (the "Agreement") with CEPI in 2020, pursuant to which CEPI is to provide funding to Sichuan Clover and Australia Clover to support the Group's research and development of COVID-19 vaccine under the project of "Outbreak Response To Novel Coronavirus (COVID-19)" (the "**Project**").

According to the Agreement, ownership of all data, assays, protocols, and materials made under the Project ("**Project Results**"), including vaccines ("**Products**"), as well as all intellectual property rights, including those for inventions, know-how, patents, trademarks arising in relation to the Project Results or otherwise under the Project ("**Project IP**") shall vest in the Company from creation. CEPI is committed to achieving equitable access to the results of all CEPI-supported programmes pursuant to the "Equitable Access Policy", which means that any form or dosage of pharmaceutical composition or preparation made or developed under the Project ("**Project Vaccine**") is first available to populations when and where it is needed to end an outbreak or contain an epidemic, regardless of whose ability to pay. A global allocation and purchasing mechanism (the "**Global Allocation Mechanism**") is to be constituted subsequent to the Agreement to purchase, allocate, and direct the distribution of COVID-19 vaccines including Project Vaccine.

23. DEFERRED INCOME (Continued)

(a) (Continued)

According to the Agreement, the Group agrees to (i) supply all doses of the Project Vaccine up to the capacity as may be required by the Global Allocation Mechanism during the Pandemic Period (the period of time between the date that World Health Organization ("**WHO**") declared COVID-19 to be a Public Health Emergency of International Concern ("**PHEIC**", that is, 30 January 2020) and the date that WHO declares the PHEIC to have ended); and, (ii) during the period of five years after the Pandemic Period ends, supply the Project Vaccine as may be required by the Global Allocation Mechanism for use in LMICs (Low and Middle Income Countries as defined by the Organisation for Economic Co-operation and Development), not to exceed 50% of the Project Vaccine unless mutually agreed to.

The funding received from CEPI is for the Group's commitment to supply the Project Vaccine as agreed in the Agreement after the commercialisation of the Project Vaccine in the future, therefore, it should be recognised in income in line with the Group's fulfilment of its obligation to supply the Project Vaccine as required by the Global Allocation Mechanism. As such, the amount received by the end of 2021 and 2020 was recorded as deferred revenue.

(b) The movements in government grants during the year are as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
At beginning of year	27,117	17,170
Grants received during the year	5,000	30,306
Amount recognised in profit or loss	–	(20,359)
At end of year	32,117	27,117

24. SHARE CAPITAL AND TREASURY SHARES

The Company was incorporated on 31 October 2018 under the laws of the Cayman Islands as an exempted company with authorised share capital of USD50,000 divided into 500,000,000 ordinary shares of a par value of USD0.0001 each. The Company became the holding company of the Group on 16 March 2021 upon the completion of the Reorganisation.

Pursuant to the special resolution passed by the then shareholders of the Company on 26 September 2021, the authorised share capital of the Company has been increased from USD50,000 divided into 500,000,000 ordinary shares to USD200,000 divided into 2,000,000,000 ordinary shares with a par value of USD0.0001 each.

Issued and fully paid:

	As at 31 December 2021		
	Number of shares in issue	Share capital USD'000	RMB equivalent RMB'000
Ordinary shares of USD0.0001 each	1,158,114,723	116	742

	As at 31 December 2020		
	Number of shares in issue	Share capital USD'000	RMB equivalent RMB'000
Ordinary shares of USD0.0001 each	1	–	–

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

	Notes	Number of shares in issue	Share capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Total RMB'000
At 1 January 2020 and 2021		1	–	–	–	–
Issue of ordinary shares upon completion of the Reorganisation		49,999,999	33	–	–	33
Issue of ordinary shares	(a)	11,050,000	7	(7)	–	–
Conversion of preferred shares into ordinary shares	(b)	82,966,389	53	–	6,387,640	6,387,693
Capitalisation issue	(c)	864,098,334	553	(42)	(511)	–
Issue of shares from IPO	(d)	150,000,000	96	–	1,650,588	1,650,684
Share issue expenses	(d)	–	–	–	(66,068)	(66,068)
At 31 December 2021		1,158,114,723	742	(49)	7,971,649	7,972,342

24. SHARE CAPITAL AND TREASURY SHARES (Continued)

Note:

(a) Pursuant to the board resolution dated 1 July 2021 and 26 September 2021, respectively, 7,250,000 and 3,800,000 ordinary shares (equivalent to 77,350,000 shares in total after adjusted for the effect of the capitalisation issue) were allotted and issued and held by The Core Trust Company Limited on trust through Super Novel International Limited as reserve for the restricted share units to be granted under the restricted share unit scheme. Further details are included in note 25 to the financial statements. The shares held in the trust are accounted for as treasury shares of the Company.

(b) All convertible redeemable preferred shares were automatically converted into ordinary shares on a one for one basis upon the successful IPO of the Company on 5 November 2021. As a result, the financial liabilities for convertible redeemable preferred shares were derecognised and recorded as share capital and share premium.

(c) Pursuant to the written resolution of the then shareholders of the Company passed on 26 September 2021, and subject to the share premium account of the Company being credited as a result of the issue of the offer shares pursuant to the IPO, a total of 864,098,334 shares credited as fully paid at par were allotted and issued on 5 November 2021 to the holders of shares whose names appear on the register of members of the Company on the day preceding 5 November 2021 in proportion to their then existing shareholdings in the Company (on the basis that each Preferred Share was converted into one ordinary share) by capitalising the relevant sum from the share premium account of the Company.

(d) In connection with the Company's IPO on 5 November 2021, 150,000,000 ordinary shares were issued at an offer price of HKD13.38 per share for a total gross cash consideration of HKD2,007,000,000 (equivalent to RMB1,650,684,000), before deducting the underwriting fees and commissions and other estimated listing expenses, of approximately HKD72,607,000 (equivalent to RMB66,068,000).

25. SHARE-BASED PAYMENTS

The Company operates a share-based payments scheme including restricted share unit scheme (the "**Scheme**") and Pre-IPO share option plan (the "**Plan**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme and the Plan include the Company's directors, the Group's employees and non-employee consultants.

The Scheme and the Plan became effective in April 2021 when the board of directors of the Company approved the Scheme and the Plan. The maximum aggregate number of shares that may be issued under the Scheme and the Plan is 77,350,000 and 25,947,096 (taking into account the capitalisation issue) ordinary shares of the Company, respectively.

Share options

In 2021, the Company granted 3,095,430 (without taking into account the effect of the capitalisation issue) options under the Plan to 138 employees. The vesting schedule of the options granted would be subject to both a listing-based vesting condition (the "**IPO Condition**") and a service-based vesting condition (the "Service Condition"). The IPO Condition would be satisfied the day after the first-half anniversary of the date when the Company get listed ("**Listing Date**"). Subject to the satisfaction of the IPO Condition, the Service Condition would be satisfied over a 4-year term. The options granted to employees are accounted for as equity awards and measured at their grant date fair values.

25. SHARE-BASED PAYMENTS (Continued)

Share options (Continued)

The following share options were outstanding under the Plan during the year ended 31 December 2021:

	Number of share options	Weighted average exercise price per share option USD
At 1 January 2021	–	–
Granted during the year	3,095,430	0.001
Forfeited during the year	(293,732)	0.001
Capitalisation issue	16,810,188	0.001
At 31 December 2021	19,611,886	0.001

The exercise price and exercise periods of the share options were outstanding under the Plan during the year ended 31 December 2021:

Number of options	Exercise price USD	Exercise period
19,611,886	0.001	2022-2031

The fair value of equity-settled share options granted was estimated as at the date of grant using a binominal model, taking into account the terms and conditions upon which the options were granted. The following table lists the key assumptions that the model used.

	2021
Expected volatility (%)	57.15%-57.59%
Risk-free interest rate (%)	0.98%-1.40%
Expected life of options (year)	9.57
Weighted average share price (without taking into account the effect of the capitalisation issue) (USD per share)	5.88

The Group recognised share-based payments expenses of RMB30,331,000 for the year ended 31 December 2021 in relation to share options.

25. SHARE-BASED PAYMENTS (Continued)

Share options (Continued)

As at 31 December 2021, the Company had 19,611,886 share options outstanding under the Plan. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 19,611,886 additional ordinary shares of the Company and additional share capital of RMB88,000.

Restricted share units

In 2021, the Company granted 6,400,224 and 261,474 (without taking into account the effect of the capitalisation issue) restricted share units under the Scheme to 56 employees and 11 non-employee consultants, respectively. 80,070 restricted share units were forfeited during the year. The vesting schedule of the restricted share units granted would be subject to both the IPO Condition and the Service Condition. The IPO Condition would be satisfied the day after the first-half anniversary of the Listing Date. Subject to the satisfaction of the IPO Condition, the Service Condition would be satisfied over a 4-year term. The restricted share units granted to employees and non-employee consultants are accounted for as equity awards. The restricted share units granted to employees are measured at their grant date fair values, and the restricted share units granted to non-employee consultants are measured at the fair values of the equity at the dates on which the services are rendered.

The Group recognised share-based payments expenses of RMB94,883,000 in relation to restricted share units for the year ended 31 December 2021.

26. RESERVES

The amounts of the Group's reserves and the movements therein for the year are presented in the consolidated statement of changes in equity.

(a) Merger reserve

Merger reserve arose from the Reorganisation as set out in note 2.1.

(b) Share premium

The share premium account represents the amount paid by shareholders for capital injection in excess of its nominal value.

26. RESERVES (Continued)

(c) Share-base payments reserve

The share-base payments reserve comprises the fair value of share options and restricted share units granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.5 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised or be transferred to retained profits should the related options expire or be forfeited.

(d) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of companies of which the functional currencies are not RMB. The reserve is dealt with in accordance with the accounting policy set out in note 2.5.

27. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2021, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB64,961,000 (2020: RMB12,676,000) in respect of lease arrangements for buildings and office equipment.

During the year ended 31 December 2021, the Company had non-cash additions to equity of RMB6,387,693,000 due to conversion of convertible redeemable preferred shares to ordinary shares as discussed in note 22.

During the year ended 31 December 2021, the Group had non-cash additions to share capital of RMB511,000 (2020: nil) and RMB42,000 (2020: nil) out of share premium and treasury shares, respectively, in respect of the capitalisation issue which was disclosed in note 24.

27. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Changes in liabilities arising from financing activities

	Convertible redeemable preferred shares RMB'000	Lease liabilities RMB'000
At 1 January 2020	198,736	12,455
Changes from financing cash flows	330,911	(4,472)
Change in fair value	597,659	–
New leases	–	12,676
Interest expense	–	1,657
At 31 December 2020	1,127,306	22,316
At 1 January 2021	1,127,306	22,316
Changes from financing cash flows	1,487,456	(14,735)
Change in fair value	3,807,638	–
Conversion of preferred shares into ordinary shares	(6,387,693)	–
Currency translation differences	(34,707)	–
New leases	–	64,961
Reassessment of a lease term arising from a decision not to exercise the extension option	–	(7,142)
Interest expense	–	2,520
At 31 December 2021	–	67,920

(c) Total cash outflow for leases

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

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Within operating activities	1,488	–
Within financing activities	14,735	4,472
	16,223	4,472

28. COMMITMENTS

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

	2021 RMB'000	2020 RMB'000
Contracted, but not provided for:		
Property, plant and equipment	36,554	27,841
Intangible assets	28,937	4,833
	65,491	32,674

29. RELATED PARTY TRANSACTIONS

(a) Name and relationship

The directors of the Group are of the view that the following parties are related parties that had transactions or balances with the Group during the reporting period.

Name of related parties	Relationship with the Group
Chengdu Tianhe	A shareholder of the Company
Chengdu Clover Biotechnology Co., Ltd. ("**Chengdu Clover**")	An entity controlled by the sister of the founder
GenHunter Corporation	An entity controlled by the founder of the Company
Peng Liang	Founder of the Company

(b) Transactions with related parties

	2021 RMB'000	2020 RMB'000
Office lease and utility expense:		
Chengdu Tianhe (i)	3,690	2,716
Entrusted loan to:		
Chengdu Tianhe (ii)	99,021	–
Purchase of services:		
GenHunter Corporation	75	171

Notes:

(i) The Group entered into a set of property leasing agreements with Chengdu Tianhe, and accordingly recognised lease liabilities of RMB11,513,000 as at 31 December 2021 (2020: RMB9,001,000).

(ii) The Group entered into an entrusted loan contract with Chengdu Tianhe and China Zheshang Bank on 4 February 2021, pursuant to which the Group entrusted China Zheshang Bank to provide a loan of RMB99,021,000 to Chengdu Tianhe. As at 31 December 2021, all loans under the aforesaid entrusted loan contract have been repaid in accordance with the contract.

29. RELATED PARTY TRANSACTIONS (Continued)

(c) Outstanding balances with related parties

	2021 RMB'000	2020 RMB'000
Amount due from a related party:		
Chengdu Tianhe	205	113
Amount due to related parties:		
Chengdu Clover	–	1,473
GenHunter Corporation	4	–
	4	1,473

All the balances above are unsecured and interest-free.

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

	2021 RMB'000	2020 RMB'000
Short term employee benefits	43,839	19,139
Share-based payment expenses	52,950	–
Post-employment benefits	2,861	354
Total compensation paid to key management personnel	99,650	19,493

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

30. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

31 December 2021

Financial assets

	Financial assets at amortised cost	Financial assets at fair value through profit or loss (Mandatorily designated as such)	Total
	RMB'000	RMB'000	RMB'000
Financial assets included in prepayments, other receivables and other assets	25,894	–	25,894
Financial assets at fair value through profit or loss	–	30,908	30,908
Time deposits and restricted cash	67,888	–	67,888
Cash and cash equivalents	2,767,371	–	2,767,371
	2,861,153	30,908	2,892,061

30. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Financial assets (Continued)

31 December 2021

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	588,559
Financial liabilities included in other payables and accruals	49,006
	637,565

31 December 2020

Financial assets

	Financial assets at amortised cost RMB'000
Financial assets included in prepayments, other receivables and other assets	1,480
Time deposits and restricted cash	290,328
Cash and cash equivalents	516,184
	807,992

30. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Financial liabilities at fair value through profit or loss (Designated as such upon initial recognition) RMB'000	Total RMB'000
Trade payables	33,820	–	33,820
Convertible redeemable preferred shares	–	1,127,306	1,127,306
Financial liabilities included in other payables and accruals	7,273	–	7,273
	41,093	1,127,306	1,168,399

31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to the fair values, are as follows:

	Carrying amounts		Fair values	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Financial assets				
Financial assets at fair value through profit or loss	30,908	–	30,908	–
Financial liabilities				
Convertible redeemable preferred shares	–	1,127,306	–	1,127,306

Management has assessed that the fair values of cash and cash equivalents, time deposits and restricted cash, trade payables, financial assets included in prepayments, other receivables and other assets, and financial liabilities included in other payables and accruals, approximate to their carrying amounts largely due to the short term maturities of these instruments.

31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Financial instruments in Level 3

As the Company's convertible redeemable preferred shares are not traded in an active market, the fair values of these financial instruments have been determined by using back-solve method to determine the underlying equity value of the Company and option-pricing method in equity allocation model, based on assumptions that are not supported by observable market prices or rates. One of the major assumptions used in the valuation for convertible redeemable preferred shares is volatility, which was estimated based on annualised standard deviation of daily stock price return of comparable companies for a period from the respective valuation date and with similar span as time to expiration. The valuation requires the directors to determine comparable public companies based on industry, size, leverage and strategy, and to calculate the volatility for each comparable company identified. The volatility parameter adopted in the option-pricing method is based on the median value of volatility calculated for each comparable company. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of each reporting period.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2020:

31 December 2020	Valuation technique	Significant unobservable inputs	Range of inputs	Increase/ (decrease) in the inputs (%)	Sensitivity of fair value to the input RMB'000
Convertible redeemable preferred shares	Back-solved method and option-pricing method	Volatility	54.81%	1/(1)	(1,702)/1,709

31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Assets measured at fair value

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss:	–	30,908	–	30,908

Liabilities measured at fair value:

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial liabilities at fair value through profit or loss:				
Convertible redeemable preferred shares	–	–	1,127,306	1,127,306

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2020: nil).

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, comprise cash and cash equivalents and preferred shares. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which the Group conducts business may affect the Group's financial condition and results of operations. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of each of reporting period to a reasonably possible change in the USD exchange rate, HKD exchange rate and GBP exchange rate with all other variables held constant, of the Group's loss before tax (due to changes in the fair value of monetary assets and liabilities).

Increase/(decrease) in loss before tax

	2021 RMB'000	2020 RMB'000
Increase in the USD rate by 5%	(27,655)	(23,468)
Decrease in the USD rate by 5%	27,655	23,468
Increase in the HKD rate by 5%	(62,903)	–
Decrease in the HKD rate by 5%	62,903	–
Increase in the GBP rate by 5%	(1,058)	–
Decrease in the GBP rate by 5%	1,058	–

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

The carrying amounts of cash and bank balances and other receivables represent the Group's maximum exposure equal to credit risk in relation to the financial assets.

The Group expects that there is no significant credit risk associated with cash and bank balances since they are substantially held in reputable state-owned banks and other medium or large-sized listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The Group also expects that there is no significant credit risk associated with other receivables since counterparties to these financial assets have no history of default.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Financial assets included in prepayments, other receivables and other assets					
– Normal*	25,894	–	–	–	25,894
Time deposits					
– Not yet past due	61,088	–	–	–	61,088
Restricted cash					
– Not yet past due	6,800	–	–	–	6,800
Cash and cash equivalents					
– Not yet past due	2,767,371	–	–	–	2,767,371
	2,861,153	–	–	–	2,861,153

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Maximum exposure and year-end staging (Continued)

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Financial assets included in prepayments, other receivables and other assets					
– Normal*	1,480	–	–	–	1,480
Time deposits					
– Not yet past due	270,328	–	–	–	270,328
Restricted cash					
– Not yet past due	20,000	–	–	–	20,000
Cash and cash equivalents					
– Not yet past due	516,184	–	–	–	516,184
	807,992	–	–	–	807,992

* The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

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

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

As at 31 December 2021

	On demand	Within 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Lease liabilities	–	23,015	52,258	–	75,273
Trade payables	588,559	–	–	–	588,559
Financial liabilities included in other payables and accruals	49,006	–	–	–	49,006
	637,565	23,015	52,258	–	712,838

As at 31 December 2020

	On demand	Within 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Lease liabilities	–	5,893	20,834	–	26,727
Trade payables	33,820	–	–	–	33,820
Financial liabilities included in other payables and accruals	7,273	–	–	–	7,273
Convertible redeemable preferred shares (note a)	–	–	864,126	–	864,126
	41,093	5,893	884,960	–	931,946

Notes:

(a) The liquidity risk of convertible redeemable preferred shares is the original issue price of Preferred Shares plus the respective predetermined interest (the "**redemption amount**"), assuming that no consummation of public listing of the Company's shares before 31 December 2024, and the holders of the Preferred Shares request the Company to redeem all of the Preferred Shares.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2021.

33. EVENTS AFTER THE REPORTING PERIOD

On 3 February 2022, Australia Clover received USD65,884,000 (equivalent to approximately RMB425,021,000) from CEPI to support the Group's research and development of COVID-19 vaccine pursuant to the Agreement with CEPI.

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	2,516,079	–
Total non-current assets	2,516,079	–
CURRENT ASSETS		
Prepayments, other receivables and other assets	255,029	–
Cash and cash equivalents	1,560,929	–
Total current assets	1,815,958	–
CURRENT LIABILITIES		
Other payables and accruals	14,870	–
Total current liabilities	14,870	–
NET CURRENT ASSETS	1,801,088	–
TOTAL ASSETS LESS CURRENT LIABILITIES	4,317,167	–
Net assets	4,317,167	–
EQUITY		
Share capital	742	–
Treasury shares	(49)	–
Reserves (note)	4,316,474	–
Total equity	4,317,167	–

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

Note:

A summary of the Company's reserves is as follows:

	Merger reserve RMB'000	Share premium RMB'000	Share-based payments reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
At 1 January 2020 and 2021	–	–	–	–	–	–
Loss for the year	–	–	–	–	(3,877,060)	(3,877,060)
Exchange differences	–	–	–	(15,064)	–	(15,064)
Total comprehensive income for the year	–	–	–	(15,064)	(3,877,060)	(3,892,124)
Issue of shares	99,312	–	–	–	–	99,312
Issue of shares from IPO	–	1,650,588	–	–	–	1,650,588
Share issue expenses	–	(66,068)	–	–	–	(66,068)
Conversion of convertible redeemable preferred shares into ordinary shares	–	6,387,640	–	–	–	6,387,640
Capitalisation issue	–	(511)	–	–	–	(511)
Share-based payments	–	–	137,637	–	–	137,637
At 31 December 2021	99,312	7,971,649	137,637	(15,064)	(3,877,060)	4,316,474

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of the directors on 29 March 2022.

THREE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last three years is set out below[note]:

	For the year ended December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Other income and gains	16,908	24,341	38,262
Research and development expenses	(45,799)	(228,219)	(1,826,301)
Administrative expenses	(17,035)	(76,429)	(345,710)
Loss for the year	(48,583)	(912,898)	(6,016,303)

	As at December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Non-current assets	21,870	139,103	269,165
Current assets	164,346	1,048,425	5,076,495
Non-current liabilities	226,551	2,103,535	1,978,403
Current liabilities	27,487	66,734	2,148,109
Net assets/(liabilities)	(67,822)	(982,741)	1,219,148

note: Three years' financial summary is presented as the Company was newly listed on November 05, 2021 and it is not practicable for the Company to present the financial summary of the Group prior to 2019.

DEFINITIONS

"Acting-in-concert Deed"	the acting-in-concert deed entered into by Dr. Liang and Mr. Joshua Liang dated March 16, 2021
"AGM"	the annual general meeting of the Company to be held at May 27, 2022 or any adjournment thereof
"Articles of Association"	the articles of association of the Company adopted on September 26, 2021, which became effective as of the date on which the Shares are listed on the Stock Exchange, as amended from time to time
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"AstraZeneca"	AstraZeneca plc, a British-Swedish pharmaceutical company
"Audit Committee"	the audit committee of the Board
"Australia Clover"	Clover Biopharmaceuticals AUS Pty Ltd., a proprietary company limited by shares registered in Australia on June 6, 2017, and a subsidiary of our Company
"Beijing Clover"	Clover Biopharmaceutical (Beijing) Co., Ltd. (克洛菲生物製藥(北京)有限公司), a limited liability company established in the PRC on September 1, 2020, and a wholly-owned subsidiary of Sichuan Clover
"Bill & Melinda Gates Foundation"	an American private foundation founded by Bill and Melinda Gates
"Board" or "Board of Directors"	the board of directors of our Company
"Business Day"	a day banks in Hong Kong are generally open for normal banking business to the public and is not a Saturday, Sunday or public holiday in Hong Kong
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"CEPI"	Coalition for Epidemic Preparedness Innovations, a foundation that takes donations from public, private, philanthropic, and civil society organisations, to finance independent research projects to develop vaccines against emerging infectious diseases
"CDE"	Center for Drug Evaluation, a subsidiary of the NMPA, that conducts technical evaluations on each drug and biologic applications to assess the safety and efficacy of a candidate
"CDMO(s)"	contract development and manufacturing organization(s), a company that serves other companies in the pharmaceutical industry on a contract basis to provide comprehensive services from drug development through drug manufacturing
"CMC"	chemistry, manufacturing, and controls processes in the development, licensure, manufacturing, and ongoing marketing of pharmaceutical products

"Companies Act"	the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"China" or "the PRC"	the People's Republic of China excluding, for the purpose of this annual report, Hong Kong, Macau Special Administrative Region and Taiwan
"Company", "our Company", "the Company", "Clover" or "Clover Biopharmaceuticals"	Clover Biopharmaceuticals, Ltd. (三葉草生物製藥有限公司), an exempted company incorporated in the Cayman Islands on October 31, 2018
"connected person"	has the meaning ascribed thereto under the Listing Rules
"connected transaction"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules, and unless the context otherwise requires, refers to Dr. Liang and Mr. Joshua Liang
"Core Product(s)"	has the meaning ascribed to it in Chapter 18A of the Listing Rules; for purpose of the prospectus, our Core Products refers to SCB-2019 (CpG 1018/Alum) and SCB-808
"COVAX"	COVID-19 Vaccines Global Access is a worldwide initiative aimed at equitable access to COVID-19 vaccines directed by the GAVI, CEPI, and the WHO alongside key delivery partner UNICEF
"CRO(s)"	contract research organizations
"Director(s)"	the director(s) of the Company
"Dr. Liang"	Dr. LIANG Peng, the founder, an executive Director, the chairman of the Board of our Company and our Controlling Shareholder
"Dynavax"	Dynavax Technologies Corporation, a fully-integrated pharmaceutical company develops, and commercializes novel vaccines
"EMA"	European Medicines Agency
"FDA"	Food and Drug Administration, a United States federal agency of the Department of Health and Human Services
"GAVI"	the Vaccine Alliance, a public-private global health partnership with the goal of increasing access to immunization in poor countries
"GenHunter"	GenHunter Corporation, a biotechnology company headquartered in the U.S.
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Greater China"	PRC, Hong Kong, Macau and Taiwan

DEFINITIONS

"Group", "we" or "us"	our Company and its subsidiaries
"HK Clover"	Clover Biopharmaceuticals (Hong Kong) Co., Limited, a limited company incorporated in Hong Kong on November 30, 2018, and a wholly-owned subsidiary of our Company
"HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	International Financial Reporting Standards
"IND"	investigational new drug or investigational new drug application, also known as clinical trial application in China
"Listing" or "IPO"	the initial public offering or initial listing of our Shares on the Stock Exchange
"Listing Date"	November 5, 2021, the date on which dealings in our Shares first commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Ireland Clover"	Clover Biopharmaceuticals Ireland Limited, incorporated in Ireland on April 14, 2021, and a wholly-owned subsidiary of HK Clover
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange. For the avoidance of doubt, the Main Board excludes the GEM of the Stock Exchange
"malignant ascites" or " MA"	abnormal accumulation of fluid within the peritoneal cavity caused by the intraperitoneal spread of the original cancer
"Memorandum of Association"	the memorandum of association of our Company adopted on September 26, 2021
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"Mr. Joshua Liang"	Mr. LIANG Joshua G, an executive Director, the chief executive officer of our Company and our Controlling Shareholder
"NMPA"	the National Medical Products Administration of China (國家藥品監督管理局) or, where the context so requires, its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局), or CFDA
"Nomination Committee"	the nomination committee of the Board

"PAHO"	Pan American Health Organization, an international public health agency working to improve health and living standards of the people of the Americas
"PCT"	Patent Cooperation Treaty, which provides a unified procedure for filing patent applications to protect inventions in each of its contracting states
"Prospectus"	the prospectus issued by the Company dated October 25, 2021
"Post-IPO Share Option Plan"	the post-IPO share option scheme adopted by our Company on September 26, 2021, effective from the Listing Date, as amended from time to time, the principal terms of which are set out in "Report of the Directors – Post-IPO Share Option Plan" to this annual report
"Pre-IPO Share Option Plan"	the pre-IPO share option plan adopted by our Company on April 15, 2021, as amended from time to time, the principal terms of which are set out in "Report of the Directors – Pre-IPO Share Option Plan" to this annual report
"Reporting Period"	the year ended December 31, 2021
"Remuneration Committee"	the remuneration committee of the Board
"Renminbi" or "RMB"	Renminbi Yuan, the lawful currency of China
"RSU(s)"	the restricted share unit(s) granted pursuant to the RSU Scheme
"RSU Scheme"	the restricted share units scheme adopted by our Company on April 15, 2021, as amended from time to time, the principal terms of which are set out in "Report of the Directors – RSU Scheme" to this annual report
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Shanghai Clover"	Clover Biopharmaceuticals (Shanghai) Co., Ltd. (愷洛菲生物製藥(上海)有限公司), a limited liability company established in the PRC on February 9, 2021, and a wholly-owned subsidiary of Sichuan Clover
"Share(s)"	shares in the share capital of our Company, with a nominal value of USD0.0001 each
"Shareholder(s)"	holder(s) of the Share(s)
"Sichuan Clover"	Sichuan Clover Biopharmaceuticals, Inc. (四川三葉草生物製藥有限公司), a limited liability company established in the PRC on June 4, 2007, a wholly-owned subsidiary of HK Clover
"Sinovac"	Sinovac Biotech Ltd, a Chinese pharmaceutical company

DEFINITIONS

"SPECTRA"	Study Evaluating Protective-Efficacy and Safety of Clover's Trimeric Recombinant Protein-based and Adjuvanted COVID-19 Vaccine
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Super Novel"	SUPER NOVEL INTERNATIONAL LIMITED, a company incorporated in the British Virgin Islands which holds the Shares underlying the awards under the RSU Scheme
"The Lancet"	a weekly peer-reviewed general medical journal, which is among the world's oldest and best-known general medical journals
"UNICEF"	United Nations International Children's Emergency Fund, a United Nations agency responsible for providing humanitarian and developmental aid to children worldwide
"U.K. Clover"	Clover Biopharmaceuticals UK Ltd, incorporated in England and Wales on October 13, 2021, and a wholly-owned subsidiary of HK Clover
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. Clover"	Clover Biopharmaceuticals USA, Inc., a stock corporation incorporated in the State of Delaware, U.S. on March 30, 2020, and a wholly-owned subsidiary of Australia Clover
"USD"	United States dollars, the lawful currency of the United States
"WHO"	World Health Organization, a specialized agency of the United Nations responsible for international public health
"Zhejiang Clover"	Zhejiang Clover Biopharmaceutical, Inc. (浙江三葉草生物製藥有限公司), a limited liability company established in the PRC on August 23, 2016, and a wholly-owned subsidiary of Sichuan Clover