加科思 Jacobio

加科思藥業集團有限公司
JACOBIO PHARMACEUTICALS GROUP CO., LTD.

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1167

2021
ANNUAL REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. Yinxiang WANG (王印祥) *(Chairman)*
Ms. Xiaojie WANG (王曉潔)
Ms. Yunyan HU (胡雲雁)
Dr. Shaojing HU (胡邵京) (resigned with effect from March 22, 2022)

NON-EXECUTIVE DIRECTORS

Dr. Ting FENG (馮婷) (resigned with effect from March 22, 2022)
Ms. Yanmin TANG (唐豔旻)
Dr. Dong LYU (呂東)
Dr. Te-li CHEN (陳德禮)

Independent Non-executive Directors

Dr. Ruilin SONG (宋瑞霖)
Dr. Ge WU (吳革)
Dr. Daqing CAI (蔡大慶)
Dr. Xiaoming WU (吳曉明) (resigned with effect from March 22, 2022)

AUDIT COMMITTEE

Dr. Daqing CAI (蔡大慶) *(Chairman)*
Dr. Ge WU (吳革)
Dr. Te-li CHEN (陳德禮)

REMUNERATION COMMITTEE

Dr. Ruilin SONG (宋瑞霖) *(Chairman)*
Ms. Xiaojie WANG (王曉潔)
Ms. Yanmin TANG (唐豔旻)
Dr. Ge WU (吳革)
Dr. Daqing CAI (蔡大慶)

NOMINATION COMMITTEE

Dr. Yinxiang WANG (王印祥) *(Chairman)*
Dr. Dong LYU (呂東)
Dr. Ruilin SONG (宋瑞霖)
Dr. Daqing CAI (蔡大慶)
Dr. Xiaoming WU (吳曉明) (resigned with effect from March 22, 2022)
Dr. Ge WU (吳革) (appointed with effect from March 22, 2022)

JOINT COMPANY SECRETARIES

Ms. Qing XUE (薛青)
Mr. Lok Kwan YIM (嚴洛鈞) *(ACG, HKACG)*

AUTHORISED REPRESENTATIVES

Ms. Xiaojie WANG (王曉潔)
Mr. Lok Kwan YIM (嚴洛鈞) *(ACG, HKACG)*

AUDITOR

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

COMPLIANCE ADVISOR

Somerley Capital Limited
20th Floor, China Building
29 Queen's Road Central
Central, Hong Kong

REGISTERED OFFICE

Walkers Corporate Limited
190 Elgin Avenue
George Town
Grand Cayman KY1-9008
Cayman Islands

CORPORATE HEADQUARTERS

Building F2, No. 88, Kechuang 6th Street
Beijing Economic-Technological Development Area
Beijing
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40/F, Dah Sing Financial Centre
248 Queen's Road East
Wanchai
Hong Kong

Corporate Information

PRINCIPAL SHARE REGISTRAR

Walkers Corporate Limited
190 Elgin Avenue
George Town
Grand Cayman KY1-9008
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

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

LEGAL ADVISERS

As to Hong Kong and United States laws:
CYL & Partners in Association with Cooley HK
c/o Suites 3501-3505, 35/F Two Exchange Square
8 Connaught Place
Central
Hong Kong

Cooley LLP
c/o Suites 3501-3505, 35/F Two Exchange Square
8 Connaught Place
Central
Hong Kong

PRINCIPAL BANKERS

In Hong Kong
Bank of China (Hong Kong) Limited
24/F, Bank of China Tower
1 Garden Road
Central
Hong Kong

In the United States
Silicon Valley Bank
3003 Tasman Drive
Santa Clara
CA 95054
USA

In the PRC
Agricultural Bank of China Beijing Branch
No. 88 Kechuang Street 6th
Beijing Economic-Technological Development Area
Beijing
PRC

WEBSITE

http://www.jacobiopharma.com

STOCK CODE

1167

Chairman's Statement

Dear Fellow Shareholders in Jacobio Pharmaceuticals,

Jacobio made impressive progress throughout 2021.

We remain a global leader in the SHP2 inhibitors (JAB-3068, JAB-3312). Through the year 2021, we completed Phase I trials of JAB-3312 in 2021 and determined the recommended Phase II dose as a monotherapy as well as in combination with PD-1 before entering a Phase II efficacy study. Simultaneously, we have started Phase I/II studies for combinations of SHP2 with Sotorasib and with Osimertinib in U.S.. We plan to fully explore SHP2 inhibitors for indications and efficacy in 2022.

In regard to the KRAS G12C inhibitor (JAB-21822), we submitted a clinical trial application, launched the trial and confirmed the recommended Phase II dose in 2021.

Our efficient clinical advancement has put us among the first three biotech companies in KRAS G12C development in China. We are very pleased to see that most trial participants benefited from the treatments and that efficacy was shown to be long lasting.

We have also received four IND approvals for our KRAS G12C inhibitor, including trials combining the SHP2 inhibitor JAB-3312, Cetuximab and PD-1 antibody; and a monotherapy trial for the STK-11 co-mutation in lung cancer. The trial combining KRAS G12C with Cetuximab for colorectal cancer is already enrolling patients.

In addition to clinical trials in China and the U.S., several European countries have also approved clinical trials for KRAS G12C, setting the stage for Jacobio to use an in-house developed drug for patients in Europe for the first time.

Throughout the year, there were positive developments in several other clinical stage drugs. CD73 (JAB-BX102) and Aurora A (JAB-2485) both received IND approvals from the U.S. FDA. We expect to start enrolling patients in the second or third quarter of 2022.

The progress of these programs reflects Jacobio's continued investment in R&D. In 2021, we invested RMB421[Note] million in R&D, which shown a growth of 83% from a year earlier. The large year-on-year growth in R&D investment in 2021 built on an impressive 65% increase in 2020.

While advancing our clinical programs, our team continues to develop new programs with a great sense of mission and responsibility. Jacobio's strategy to start a new program is to look for targets in validated cancer signaling pathways. At present, we are focusing on six signaling pathways in cancer: RAS, MYC, RB, I/O, cancer metabolic, and P53, which of them cover 70%-80% of cancers. Our hope is to bring novel therapies to billions of patients. There is more information on our pipeline in the section headed "Management Discussion and Analysis" of our Annual Report.

Here, I put forward my views on the state of the industry and Jacobio's future direction.

Since mid 2021, the market bubble driven by rapid growth has begun to subside, leading to sharp declines in the share prices of biotech companies listed in mainland China, Hong Kong and the U.S. and industry players became uneasy.

Note: R&D investments are the total of R&D costs recorded in cost of revenue and research and development expenses accounts. Our cost of revenue consists of research and development expenses related to our SHP2 inhibitors.

Chairman's Statement

Personally, I believe that this pullback is part of a normal industry cycle that cannot be changed by individuals. At the same time, every market trough also marks the beginning of a recovery and there is no need to become pessimistic in the middle of a cyclical decline.

In response to the current market conditions, we are accelerating our strategy. Since the establishment of the company in 2015, we have aimed to be at the forefront of innovative drug development, positioning the company's development with original new drugs (first-in-class) targeting the global market, not just "me-too drugs" that target the Chinese market. We aim to be among the top three biotech companies in our segment in the world and to gain global market share by licensing patents to multinational pharmaceutical companies with global market capabilities. We will retain our rights in the China market and become a pharmaceutical company that integrates R&D, manufacturing, and marketing.

Strategies above were discussed in our previous annual report (2020). For 2022-2023, Jacobio has three priorities:

1. Six to eight programs have potential to be among first three globally in clinical trials.

Seven different programs have the potential to be among the first three globally to enter the clinical trials phase. Currently, both the SHP2 and Aurora A inhibitors in Jacobio's pipeline are among the first three products in their categories in the world to have entered the clinical stage. In the coming years, IND applications for JAB-24114, JAB-26766 and JAB-BX300 will be submitted, while IND applications for KRAS G12D, KRAS G12V and KRASmulti Inhibitor will be submitted in the future.

We will also seek complementary partnerships with international pharmaceutical companies to maximize the commercial potential of our products through licensing deals in overseas markets and receiving royalty of sales, while retaining full China market rights.

We are pleased to see that outlicensing deals with overseas companies have become more commonplace. This is unlike in 2019, when Jacobio emerged as a market leader by moving quickly and licensing our SHP2 inhibitors to AbbVie for US$855 million. In 2021, almost every single new cancer drugs approved by the FDA had gone through more than one transaction.

As one of the first Chinese biotech companies to capture global market, we have accumulated sufficient experience and resources to complete more overseas licensing deals, similar to SHP2, when the timing is right.

2. Further strengthen our clinical trial management team.

The clinical team is the fastest growing division in terms of staff numbers. We have set up several offices in Beijing, Shanghai and Boston, and established several departments including medical science, CRA, statistics, data management, clinical pharmacology, clinical registration and pharmacovigilance.

At present, Jacobio's clinical trials in China are conducted by our own team, so we no longer have to rely on clinical contract research organizations (CROs), while in the U.S. our team handles statistics and clinical pharmacology, we expect Phase I trials in the U.S. to be completed by our own team this year. Having our in-house teams managing clinical trials will enable programs to move forward more efficiently.

Chairman's Statement

3. Transform from a biotech company to a biopharma company.

Jacobio's operations and management will also take another step forward in 2022. In 2021, the number of employees grew from 190 to 260. Since its establishment, Jacobio has aimed to become an integrated biopharma company with R&D, manufacturing and sales in China and 2022 will be the year we transition to this mission.

In 2022, Jacobio will submit a registrational clinical trial application for our KRAS G12C inhibitor (JAB-21822) and we expect to submit a new drug application (NDA) during 2023 to 2024, which means that Jacobio is moving closer to commercialization.

Meanwhile, our 20,000 square meters headquarters R&D building and GMP manufacturing plant in Beijing has been completed and will open in late 2022, giving Jacobio production capacity and allowing it to become a company that integrates manufacturing and sales.

Developing first-in-class drugs requires pushing the boundaries of human cognition and looking for hope in the unknown.

Behind every small progress, there are countless failed attempts. In the face of the laws of life science, the only way we can respond is with humility and peace of mind. Whether pro-cyclical or counter-cyclical, we will mobilize all resources to accelerate the development of new drugs. There are 20 million new cancer cases worldwide each year, with effective therapies lacking for some types of cancer including pancreatic cancer, which is one of the most important indications for our RAS-related programs.

Patients cannot wait, so we will be more determined than ever to invest in R&D to live up to our commitments in the relay race of anti-tumor drug development for the benefit of all humanity.

Dr. Wang Yinxiang
Chairman and Chief Executive Officer

Financial Highlights

REVENUE

Our revenue was RMB152.8 million for the year ended December 31, 2021, which was attributable to reimbursement of R&D costs generated from the license and collaboration agreement with AbbVie regarding the R&D, manufacture and commercialization of our SHP2 inhibitors.

RESEARCH AND DEVELOPMENT EXPENSES

Our research and development expenses increased by RMB94.9 million from RMB186.0 million for the year ended December 31, 2020 to RMB280.8 million for the year ended December 31, 2021, primarily due to the advancement to our clinical candidates, the expansion of pre-clinical research portfolio and the increased staff costs accompanied with expanding of relative R&D departments.

ADMINISTRATIVE EXPENSES

Our administrative expenses decreased by RMB9.3 million from RMB53.8 million for the year ended December 31, 2020 to RMB44.6 million for the year ended December 31, 2021. This was primarily attributable to combined result of the decrease in listing expenses in connection with the IPO and the increase of employee benefits expenses and other administrative expenses in line with our business expansion.

LOSS FOR THE YEAR

As a result of the above factors and taking into account our fair value changes of financial instruments with preferred rights from a loss of RMB1,694.4 million for the year ended December 31, 2020 to nil for the year ended December 31, 2021, the loss for the year decreased from RMB1,513.7 million for the year ended December 31, 2020 to RMB301.2 million for year ended December 31, 2021.

Business Highlights

During the Reporting Period, our Group continued advancing our drug pipeline and business operations, including the following milestones and achievements:

SHP2 INHIBITORS

Our lead drug development programs include two clinical-stage, oral, small-molecule allosteric SHP2 inhibitors (JAB-3312 and JAB-3068), for the potential treatment of cancers driven by RAS signaling pathway and immune checkpoint pathway.

JAB-3312 (A SHP2 INHIBITOR)

- In both the U.S. and China, we had completed Phase I dose finding portion in patients with solid tumors. The interim results identified the maximum tolerated dose and recommended Phase II dose (RP2D).
- We had completed Phase I dose finding portion trial of JAB-3312 in combination with a PD-1 antibody and initiated the dose expansion phase with the RP2D.
- We have completed the protocol development for JAB-3312 in combination with either a KRAS G12C inhibitor Sotorasib or an EGFR inhibitor Osimertinib. The first two patients were enrolled in the U.S. of the global trial in January 2022.

JAB-3068 (A SHP2 INHIBITOR)

- The enrollment of Phase IIa monotherapy trial in China has been completed.
- The study of JAB-3068 in combination with a PD-1 antibody is in the dose escalation stage.

JAB-21822 (A KRAS G12C INHIBITOR)

JAB-21822 is a clinical-stage, potent, selective and oral small molecule drug candidate targeting mutant KRAS G12C protein.

- In China, the monotherapy dose escalation phase of JAB-21822 in patients with tumors harboring KRAS G12C was completed with RP2D identified. We have initiated the dose expansion phase in China.
- In the U.S., the first patient was dosed in patients with tumors harboring KRAS G12C in September 2021. Dose expansion is expected to be initiated in the second quarter of 2022. The Phase I trial of JAB-21822 is expected to be expanded to Europe and Israel in 2022.
- The first patient of JAB-21822 in combination with EGFR antibody Cetuximab was dosed in advanced colorectal cancer with KRAS G12C mutation in February 2022.
- We have received the IND approval of JAB-21822 in combination with our SHP2 inhibitor JAB-3312 and we expect to dose the first patient in the second quarter of 2022.

Business Highlights

JAB-8263 (A BET INHIBITOR)

JAB-8263 is a clinical-stage, innovative, selective and potent small molecule inhibitor of BET family proteins regulating MYC transcription.

- Phase I dose escalation trial of JAB-8263 is ongoing in China and the U.S. To date, JAB-8263 has demonstrated superior safety and tolerability and has showed favorable pharmacokinetics profile.
- The expansion plan is expected to be initiated in the second half of 2022 after RP2D is determined.

JAB-2485 (AN AURORA A INHIBITOR)

JAB-2485 is a clinical-stage, highly selective Aurora A kinase inhibitor. JAB-2485 can inhibit Aurora A activity at the cellular level, induce apoptosis and inhibit tumor growth.

- The IND application of JAB-2485 was approved by the U.S. FDA in January 2022.
- In China, the IND application with NMPA is expected to be submitted in the second quarter of 2022.

JAB-BX102 (A CD73 INHIBITOR)

JAB-BX102 is a clinical-stage humanized antibody against human CD73 for the treatment of PD-1 resistant cancer, such as CRC.

- The IND application of JAB-BX102 was approved by the U.S. FDA in October 2021. We expect to dose the first patient in the first half of 2022 in the U.S.
- In China, the IND application with NMPA was submitted in January 2022.

IND-ENABLING STAGE DRUG CANDIDATES

- **JAB-24114** – a small-molecule drug candidate targeting tumor metabolic pathway. The candidate was nominated in March 2021 and is currently at the IND-enabling stage. We remain on track to submit an IND application for JAB-24114 in the second half of 2022.
- **JAB-BX300** – a large molecule antibody targeting RAS pathway. The candidate was nominated in March 2021 and is currently at the IND-enabling stage. We remain on track to submit an IND application for JAB-BX300 in the second half of 2022.
- **JAB-26766** – an orally bioavailable small-molecule drug targeting immuno-oncology pathway. The candidate was nominated in January 2022 and is currently at the IND-enabling stage. We remain on track to submit an IND application for JAB-26766 during 2022 to 2023.
- **JAB-23400** – a first-in-class, orally bioavailable, small-molecule KRASmulti inhibitor. It can potently inhibit the activity of multiple KRAS mutants in both active and inactive states, including G12V, G12D and G13D. The candidate was nominated in February 2022. The IND application is expected to be submitted in 2023.

Business Highlights

OTHER KEY SELECTED PRE-CLINICAL PROGRAMS

- **JAB-22000** – a small-molecule KRAS G12D inhibitor. It is currently in the lead optimization stage, targeting to file an IND application in 2023.
- **JAB-23000** – a small-molecule KRAS G12V inhibitor. It is currently in the hit-to-lead stage, targeting to file an IND application during 2023 to 2024.
- **JAB-30000** – an orally available small molecule for the treatment of patients with locally advanced or metastatic solid tumors that have a P53 Y220C mutation. It is currently in the lead optimization stage, targeting to file an IND application during 2023 to 2024.

OTHER EVENTS

In August 2021, our Company entered into a share purchase agreement with Hebecell, pursuant to which our Company has agreed to purchase and subscribe, and Hebecell has agreed to allot and issue, 1,321,257 series A preferred shares of Hebecell with the consideration of US$25,000,000, which represents approximately 19.74% of the issued share capital of Hebecell on a fully-diluted and as converted basis upon completion of the closings of the share purchase agreement.

While our Company is primarily focused on small-molecule cancer drugs, it opportunistically develops and seeks collaboration and strategic investment opportunities for compelling biological technologies where our Company can leverage its existing expertise in cancer biology to treat diseases with unmet needs and enhance our innovative portfolio with new modalities.

Management Discussion and Analysis

OVERVIEW

We are a clinical-stage pharmaceutical company focusing on the in-house discovery and development of innovative oncology therapies. Established in July 2015, we are an explorer in developing clinical-stage small-molecule drug candidates to modulate enzymes by binding to their allosteric sites, i.e., sites other than the active site that catalyzes the chemical reaction, in order to address targets which are lack of easy-to-drug pockets where drugs can bind, such as protein tyrosine phosphatases ("**PTPs**") and Kirsten rat sarcoma 2 viral oncogene homolog ("**KRAS**"). We intend to proactively explore and enter into strategic and synergistic partnerships with leading multinational corporations (MNCs), as exemplified by the collaboration with AbbVie Ireland Unlimited Company ("**AbbVie**"), a wholly-owned subsidiary of AbbVie Inc. (NYSE: ABBV), for our innovative, allosteric Src homology region 2 domain-containing phosphatase-2 ("**SHP2**") inhibitors. Such partnerships pool complementary expertise and resources to increase the chances of success for our drug candidates and ensure maximization of their clinical and commercial value on a global scale.

Tremendous progress in cancer biology in the past several decades has elucidated several critical cellular pathways involved in cancer, including KRAS, MYC proto-oncogene ("**MYC**") and Retinoblastoma ("**RB**"), as well as certain immune checkpoints such as programmed cell death protein-1 or its ligand (PD-(L)1) checkpoint, that are implicated in more than 50% of total cancer incidence. However, many known targets in these pathways including PTPs like SHP2 and GTPases like KRAS, among others, that play crucial roles in tumorigenesis, have until recently been deemed "undruggable", owing to a variety of drug discovery challenges.

For details of any of the foregoing, please refer to the rest of this annual report, and, where applicable, the Prospectus and prior announcements published by our Company on the websites of the Stock Exchange and our Company.

OUR PRODUCTS AND PRODUCT PIPELINE

In the past six years, by leveraging our proprietary technologies and know-how in drug discovery and development, we have discovered and developed an innovative pipeline of drug candidates, including six assets in Phase I/II trials and several others at the IND-enabling stage. These drug candidates may have broad applicability across various tumor types and demonstrate combinatorial potential among themselves.

The following chart summarizes our pipeline, the development status of each clinical stage candidate and select IND-enabling stage candidates as of March 22, 2022.

Management Discussion and Analysis

Clinical stage candidates:

	Asset	Regimen	Indications	IND	Phase I	Phase IIa	Recent development	Upcoming Milestone (expected)
Clinical	**JAB-3068** SHP2 (abbvie)	Mono	Solid tumors	*US trial*				
		Mono	ESCC, HNSCC, NSCLC	*China trial*				
		Combo w/PD-1 mAb	ESCC, HNSCC, NSCLC	*China trial*				
	JAB-3312 SHP2 (abbvie)	Mono	Solid tumors	*US trial*				
		Mono	Solid tumors	*China trial*			Phase IIa initiated with FPI in Jan 2022	
		Mono	BRAF class 3/ NF1 LOF mutant solid tumors	*US trial* *			Phase IIa initiated with FPI in Dec 2021	
		Combo w/PD-1 mAb	NSCLC, HNSCC, ESCC	*Global trial* +			Phase IIa initiated in Feb 2022	
		Combo w/MEKi	KRAS mut CRC, Pancreatic cancer	*Global trial* +				
		Combo w/KRAS G12Ci	KRAS G12C mut NSCLC	*Global trial* +			FPI in Jan 2022	
		Combo w/EGFRi	Osimertinib progressed NSCLC	*Global trial* +			FPI in Jan 2022	
	JAB-8263 BET (MYC pathway)	Mono	Solid tumors	*US trial*				RP2D to be determined in 2022 2H
		Mono	Solid tumors	*China trial*			FPI in Feb 2022	
		Mono Combo w/JAKi	MF and AML	*China trial*			FPI in Apr 2021	
	JAB-21822 KRAS G12C (RAS pathway)	Mono	NSCLC, CRC	*US trial*			FPI in Sep 2021	
		Mono	NSCLC, CRC	*China trial*			Phase IIa initiated with FPI in Mar 2022	Pivot trial to be initiated in 2022 2H
		Mono	NSCLC with STK-11 co-mutation	*Global trial* *			IND approved in Oct 2021	FPI (2022 2H)
		Combo w/PD-1 mAb	NSCLC	*China trial* +			IND approved in Oct 2021	
		Combo w/SHP2i	NSCLC, CRC	*China trial* +			IND approved in Feb 2022	FPI (2022 Q2)
		Combo w/EGFR mAb	CRC	*China trial* +			FPI in Feb 2022	
	JAB-BX102 CD73 mAb (I/O)	Mono Combo w/PD-1 mAb	Solid tumors	*US trial*			IND approved in Oct 2021	FPI (2022 1H)
		Mono	Solid tumors	*China trial*			IND submitted in Jan 2022	
	JAB-2485 Aurora A (RB pathway)	Mono	Solid tumors	*US trial*			IND approved in Jan 2022	FPI (2022 2H)

Notes:

*: We have initiated or will initiate Phase IIa study directly after RP2D is determined.

+: We have initiated or will initiate Phase Ib/IIa studies directly once we receive IND approval.

Management Discussion and Analysis

IND-enabling stage candidates:

	Asset	Target	Lead optimization	Candidate IND-enabling	IND Schedule	Indications	Recent development
IND-Enabling	JAB-24114	Undisclosed (Tumor metabolic pathway)			2022 2H	NSCLC, HNSCC	Candidate nominated, entering into IND-enabling studies in Mar 2021
	JAB-BX300	Undisclosed (RAS pathway)			2022 2H	PDAC, CRC	Candidate nominated, entering into IND-enabling studies in Mar 2021
	JAB-26766	Undisclosed (I/O)			2022-2023	SCLC, HNSCC, ESCC	Candidate nominated, entering into IND-enabling studies in Jan 2022
	JAB-23400	KRAS^{MULTI} (RAS pathway)			2023	PDAC, CRC, NSCLC	Candidate nominated, entering into IND-enabling studies in Feb 2022
Lead Optimization	JAB-22000	KRAS G12D (RAS pathway)			2023	PDAC, CRC, NSCLC	Lead series identified and patent filed in Nov 2020
	JAB-30000	P53 (P53 pathway)			2023-2024	Solid tumor	Lead series identified and patent filed in 2021

We believe there is tremendous potential for combinatorial strategy among our in-house pipeline assets. For instance, KRAS inhibitors alone can trigger adaptive resistance mechanisms. Based on our pre-clinical studies and other publications, SHP2 inhibitors (upstream of the RAS pathway) may potentially be the best combination therapy partners for KRAS inhibitors to address the adaptive drug resistance. The first patient's dosage in the U.S. of the combination of our SHP2 and Sotorasib (KRAS G12C inhibitor) global trial was achieved in January 2022. We also plan to explore the combination of our SHP2 inhibitor JAB-3312 and our KRAS inhibitor JAB-21822 for which the first patient's dosage in China is expected to complete in the second quarter of 2022.

BUSINESS REVIEW

- **JAB-3068 & JAB-3312**

  Our lead drug development programs include two clinical-stage, oral allosteric SHP2 inhibitors (JAB-3068 and JAB-3312), for the potential treatment of cancers driven by RAS signaling pathway and immune checkpoint pathway. We believe SHP2 inhibition is a promising novel therapeutic approach either as a monotherapy or in combination with other therapies for treating multiple cancer types. JAB-3068 is the second SHP2 inhibitor received the IND approval from the U.S. FDA to enter clinical development. In the U.S., JAB-3068 and JAB-3312 have received an orphan drug designation (ODD) from the U.S. FDA for the treatment of esophageal cancer. The current issued patents and published patent applications have already provided a broad scope of protection for SHP2 inhibitors, as the established players in this field have built a wall of patent that is hard for any newcomers to circumvent, and therefore enlarged our first-mover advantages in the market.

  JAB-3068 and JAB-3312 have different chemical features and potency in our pre-clinical and clinical studies, and their clinical development plans are designed to focus on different indications and different combination strategies.

  JAB-3068 Monotherapy:

  Our Phase I trial in the U.S. is in the close-out process.

  In the U.S. Phase I trial, the interim results identified the maximum tolerated dose and RP2D.

Management Discussion and Analysis

The dose escalation phase of Phase I/IIa trial in China showed similar safety profile of JAB-3068 to the U.S. study. The tolerability of JAB-3068 further supported the development of JAB-3068 in the Phase IIa stage.

We are currently evaluating the clinical efficacy of JAB-3068 in three solid tumor types. The enrollment of the Phase IIa trial in China has been completed. The Phase IIa trial is expected to be closed out in the second half of 2022.

JAB-3068 in combination with PD-1 mAb study in China:

We have initiated a Phase I/IIa trial of JAB-3068 in combination with a PD-1 antibody for the treatment of advanced solid tumors in China after NMPA approval in December 2020. The first patient for this clinical trial was dosed in April 2021 and the trial is in the dose escalation stage.

JAB-3312 Monotherapy:

We are evaluating the safety and efficacy profiles of JAB-3312 as monotherapy in two ongoing clinical trials in advanced solid tumor, including a Phase I trial in the U.S. and a Phase I/IIa trial in China.

In both the U.S. and China, we had completed Phase I dose finding portion in patients with solid tumors. The interim results identified the maximum tolerated dose and RP2D.

We have also initiated the further exploration of JAB-3312 as monotherapy in biomarker driven solid tumors such as BRAF class 3 and NF1 LOF mutant solid tumors in expansion phase. The first patient's dosage was achieved in December 2021.

JAB-3312 in combination with PD-1 mAb/MEK inhibitor/KRAS G12C inhibitor/EGFR inhibitor global study:

We have initiated a global Phase Ib/IIa trial to evaluate our JAB-3312 in combination with either a PD-1 antibody or a MEK inhibitor for patients with advanced solid tumors. The IND approval was granted by the U.S. FDA in December 2020. The IND application with the NMPA was also approved in May 2021.

The first two patients' dosage in the U.S. of the global trial was completed in May 2021. Our Group received a milestone payment of US$20 million pursuant to the license and collaboration agreement with AbbVie in July 2021. For details, please refer to the below "Collaboration with AbbVie" in this annual report.

We had completed Phase I dose finding portion trial of JAB-3312 in combination with a PD-1 antibody and initiated the dose expansion phase with the RP2D.

The MEK inhibitor combo dose escalation is ongoing.

During the second half of 2021, we have completed the protocol development for JAB-3312 in combination with either a KRAS G12C inhibitor Sotorasib or an EGFR inhibitor Osimertinib. The first two patients were enrolled in the U.S. of the global trial in January 2022.

Management Discussion and Analysis

Collaboration with AbbVie:

We have entered into a license and collaboration agreement with AbbVie to develop and commercialize our SHP2 inhibitors on a global basis in May 2020, including JAB-3068 and JAB-3312 (the "**AbbVie Collaboration**"). Under the license and collaboration agreement, subject to our option (the "**PRC Option**") to exclusively develop and commercialize our SHP2 inhibitors in China, Hong Kong and Macau (the "**Territory**"), which we exercised in September 2020, we have granted AbbVie a worldwide, exclusive, sublicensable license to research, develop, manufacture, commercialize and otherwise exploit our SHP2 inhibitors. As we have exercised the PRC Option, we have the exclusive rights (even as to AbbVie and its affiliates) to develop, commercialize and, if we elect to, manufacture such SHP2 products for the purposes of seeking regulatory approval of and to commercialize in the Territory and, subject to limited exceptions, we are entitled to retain the final decision-making power, over all development, commercialization, manufacturing and regulatory activities to support regulatory approval of our SHP2 Products in the Territory.

This collaboration provides strong validation of our internally discovered SHP2 programs and ensures maximization of their medical and commercial value on a global scale.

Our Group has completed the first two patients' dosage in the U.S. of the global trial which is a Phase Ib/IIa study of JAB-3312 in combination with the PD-1 antibody Pembrolizumab and MEK inhibitor Binimetinib for the treatment of advanced solid tumors. This progress in clinical development has qualified our Group for a milestone payment according to the license and collaboration agreement. Pursuant to the terms of the license and collaboration agreement with AbbVie, our Group has received a milestone payment of US$20 million in July 2021.

For more details of our collaboration with AbbVie, please refer to the paragraphs headed "Business – III. Collaboration with AbbVie" of the Prospectus.

- **JAB-21822**

Our lead KRAS inhibitor candidate, JAB-21822, is a potent, selective and bioavailable small molecule targeting mutant KRAS G12C protein, and it has demonstrated encouraging in vivo antitumor effects either as a single agent or in combination with a SHP2 inhibitor or EGFR antibody. In our internal head-to-head pre-clinical animal studies, JAB-21822 has shown a superior pharmacokinetics (PK) profile and favorable tolerability as well as the potential for a superior dosing profile in comparison with Amgen's and Mirati's KRAS G12C inhibitors (which we internally synthesized based on published molecular structures).

During the Reporting Period, we have achieved following progress or milestones:

- The IND application for JAB-21822 in patients with tumors harboring a KRAS G12C mutation from the NMPA was approved in May 2021. The first patient enrollment was completed in China in July 2021.

  To date, the monotherapy dose escalation phase in China was completed and we have initiated the dose expansion phase.

- The IND application for JAB-21822 in patients with tumors harboring a KRAS G12C mutation from the U.S. FDA was approved in May 2021. The first patient has been successfully dosed in September 2021 in the U.S. and dose expansion phase is expected to be initiated in the second quarter of 2022.

  Regulatory submission in three European countries and Israel were completed in 2021. JAB-21822 U.S. phase I trial will expand to Europe and Israel in the first half of 2022.

Management Discussion and Analysis

- The IND application for JAB-21822 in combination with EGFR antibody Cetuximab was approved in China in December 2021. A phase I/II, open-label, multi-center, dose-escalation and expansion clinical trial in China was initiated aiming to explore the safety, tolerability and preliminary efficacy of the combination therapy of JAB-21822 and Cetuximab in advanced colorectal cancer with KRAS G12C mutation. The first patient was successfully dosed in February 2022.

- IND applications for the following clinical trials were approved in the second half of 2021 or the first quarter of 2022 in China and the study startup activities are ongoing.

  - JAB-21822 in combination with SHP2 inhibitor JAB-3312. First patient dosage is expected to be completed in the second quarter of 2022

  - JAB-21822 in combination with PD-1 antibody Pembrolizumab

  - JAB-21822 monotherapy in patients with NSCLC with STK-11 co-mutation

We will continue to proactively communicate with regulatory authorities in the respective major markets, and pursue opportunities for expedited track of regulatory approval or designations with preferential treatment, such as orphan drug or breakthrough therapies. In addition, we will also actively explore synergistic opportunities to work with potential, value-adding collaborators, and to maximize the clinical and commercial value of our drug candidates on a global scale.

- **JAB-8263**

Our JAB-8263 is an innovative, selective and potent small molecule inhibitor of BET family proteins regulating MYC transcription. We are evaluating JAB-8263 for the treatment of various cancer types associated with elevated MYC expression including both solid tumors (such as NMC, NSCLC, SCLC, CRPC, ESCC and ovarian cancer) and blood cancers such as myelofibrosis (MF) and acute myeloid leukemia (AML).

In July 2020, we received the IND approval for JAB-8263 in the U.S. from the U.S. FDA for the treatment of solid tumors. We also received the IND approval from the NMPA for JAB-8263 in China for the treatment of solid tumors, MF and AML in November 2020. The first patient enrollment was completed in the U.S. in November 2020 and the enrollment of the first patient in China was completed in April 2021.

The dose escalation phase is ongoing in the U.S. and China. To date, JAB-8263 has demonstrated superior safety and tolerability comparing with other BET inhibitors. RP2D is expected to be determined in the second half of 2022. We will further initiate the expansion phase on solid tumors and blood tumors after RP2D is determined.

- **JAB-2485**

JAB-2485 is highly selective small molecule Aurora A kinase inhibitor. JAB-2485 can inhibit Aurora A activity at the cellular level, induce apoptosis and inhibit tumor growth. At present, there is no commercialized Aurora A inhibitor globally. Preclinical data show that JAB-2485 is highly selective at biochemical and cellular levels. The inhibitory activity of Aurora A is one thousand times higher than that of Aurora B, and has potential to benefit patients with small cell lung cancer and triple negative breast cancer.

Management Discussion and Analysis

We received the IND approval of JAB-2485 from the U.S. FDA in January 2022. Study startup activities are ongoing, and we expect to dose the first patient in the second half of 2022 in the U.S.

In China, the IND application with the NMPA is expected to be submitted in the second quarter of 2022.

- **JAB-BX102**

  JAB-BX102 is a humanized inhibitory antibody against human CD73 for the treatment of PD-1 resistant cancer, such as CRC.

  We received the IND approval of JAB-BX102 in adult patients with advanced solid tumors from the U.S. FDA in October 2021. JAB-BX102 is our first large molecule program entered into clinical stage. Study startup activities are ongoing and we expect to dose the first patient in the first half of 2022 in the U.S.

  In China, the IND application with the NMPA was submitted in January 2022.

- **IND-Enabling Stage Drug Candidates**

  We have also developed a diverse pipeline of assets targeting various other major and critical pathways involved in cancer (including RAS, MYC, P53, RB, immuno-oncology and tumor metabolic pathways) and have demonstrated potential to be among the first few market entrants in their respective drug classes globally. These include potentially first-in-class and/or best-in-class innovative drug candidates against novel or validated targets. We will continue to advance the drug discovery and development of these portfolio assets in both China and the U.S. in parallel, and actively explore possible combinations amongst our own pipeline drug candidates.

  - **JAB-24114** – JAB-24114 is targeting tumor metabolic pathway developed for the treatment of solid tumors including NSCLC and HNSCC. Tumor metabolism has emerged as a promising new field for cancer drug discovery. Through genetic mutations that alter fundamental metabolic pathways, tumor cells can acquire the ability to grow in an uncontrolled manner, but they also acquire dependencies that can differentiate them from normal cells. JAB-24114 can also be used in combination with SHP2 inhibitors or KRAS inhibitors. The first patent filing was made in May 2020. Currently there is only one program in the Phase I clinical stage in respective drug classes globally, therefore JAB-24114 has the potential to be among the first few market entrants.

    JAB-24114 is currently at the IND-enabling stage. We remain on track to submit an IND application for JAB-24114 in the second half of 2022.

  - **JAB-BX300** – JAB-BX300 is a large molecule antibody targeting RAS pathway for the treatment of pancreatic and other solid tumors with KRAS mutations. The first patent filing was in September 2019. Currently there is only one program in the Phase I clinical stage in respective drug classes globally, therefore JAB-BX300 has the potential to be among the first few market entrants.

    JAB-BX300 is currently at the IND-enabling stage. We remain on track to submit an IND application for JAB-BX300 in the second half of 2022.

Management Discussion and Analysis

- **JAB-26766** – JAB-26766 is an orally bioavailable small molecule, targeting immuno-oncology pathway for the treatment of a variety of solid tumors such as SCLC, HNSCC and ESCC. The first patent filing was in January 2021. Currently, there is only one program in the Phase I clinical stage in respective drug classes globally, therefore JAB-26766 has the potential to be among the first few market entrants.

  The drug candidate was nominated in January 2022 and is currently at the IND-enabling stage. We remain on track to submit an IND application for JAB-26766 during 2022 to 2023.

- **JAB-23400** – JAB-23400 is a first-in-calss, orally bioavailable, KRASmulti inhibitor. It can potently inhibit the activity of multiple KRAS mutants in both active and inactive states, including G12V, G12D and G13D. In preclinical studies, JAB-23400 exhibited an acceptable oral bioavailability both in rodents and non-rodents. JAB-23400 also showed an excellent anti-tumor effect in KRAS G12X tumor xenografts. The drug candidate was nominated in February 2022.

  To date, there is no clinical-stage small-molecule KRASmulti program globally, therefore JAB-23400 has the potential to be among the first few market entrants.

  The IND application is expected to be submitted in 2023.

- **JAB-6343** – JAB-6343 is a potent and highly selective inhibitor that targets fibroblast growth factor receptor 4 (FGFR4), a kinase that is aberrantly activated in a defined subset of patients with hepatocellular carcinoma (HCC). We are developing JAB-6343 for the treatment of advanced HCC with FGF19 overexpression.

  The IND application in monotherapy was submitted to the NMPA in December 2021 and is expected to be approved in the first half of 2022.

- **Our Selected Preclinical Programs**

  - **JAB-22000** – JAB-22000 is a small-molecule KRAS G12D inhibitor. Lead series with high potency and selectivity have been identified and our first patent filing was made in November 2020. Subsequent patent filings have covered multiple directions. It is currently in lead optimization stage, targeting to submit an IND in 2023. Currently there is no clinical stage small molecule KRAS G12D programs globally, therefore JAB-22000 has the potential to be among the first few market entrants.

  - **JAB-23000** – JAB-23000 is a small-molecule KRAS G12V inhibitor. JAB-23000 project is in the hit-to-lead stage, targeting to file the IND application during 2023 to 2024.

  - **JAB-30000** – JAB-30000 is an orally available small molecule for the treatment of patients with locally advanced or metastatic solid tumors harboring with P53 Y220C mutation. Our first patent filing was made in 2021. Subsequent patent filings have covered multiple directions. JAB-30000 is in the lead optimization stage, targeting to file an IND application during 2023 to 2024. Currently, there is only one program in the Phase I clinical stage in respective drug classes globally, therefore JAB-30000 has the potential to be among the first few market entrants.

Management Discussion and Analysis

CORPORATE DEVELOPMENT

- In March 2021, our Company was selected as a constituent of each of the Hang Seng Composite Index, Hang Seng Composite Hong Kong-Listed Biotech Index and Hang Seng Healthcare Index.

- We launched our third R&D center in April 2021 in Shanghai, China, to attract and recruit the well-trained scientists and physicians across the world.

- In August 2021, our Company entered into a share purchase agreement with Hebecell, pursuant to which our Company has agreed to purchase and subscribe, and Hebecell has agreed to allot and issue, 1,321,257 series A preferred shares of Hebecell with the consideration of US$25,000,000, which represents approximately 19.74% of the issued share capital of Hebecell on a fully-diluted and as converted basis upon completion of the closings of the share purchase agreement. While our Company is primarily focused on small molecule cancer drugs, it opportunistically develops and seeks collaboration and strategic investment opportunities for compelling biological technologies where our Company can leverage its existing expertise in cancer biology to treat diseases with unmet needs and enhance our innovative portfolio with new modalities. Through the strategic investment in Hebecell, our Group expects to pool complementary expertise and resources to further improve its layout in the fields of oncology and immunology, and extend our capability to explore clinical value of combination therapies between our current programs and allogeneic cell therapy. As at the date of March 22, 2022, the first closing of the share purchase agreement has been achieved. For details, please refer to the announcement published on the websites of the Stock Exchange and our Company dated August 31, 2021.

- We have adopted a Plan on August 31, 2021. The purposes of the Plan are to attract and retain the best available personnel, to provide additional incentives to Employees and to promote the success of our Company's business. An offer to grant a RSU, Restricted Share or other right or benefit granted under the Plan will be made to a Grantee, who is an Employee, in such form as the Administrator may determine. Pursuant to the Plan, Awards may be granted in the form of Shares, according to the instructions from the Administrator, to a Grantee. The maximum aggregate number of Shares underlying the Plan is (i) 10,000,000 Shares plus (ii) Shares purchased on the open market from time to time. Subject to early termination by the Board, the Plan shall be valid and effective for ten (10) years commencing on its adoption date. Our Company has engaged KASTLE LIMITED, a company incorporated under the laws of Hong Kong, as the trustee of employee benefit trusts to administer certain Awards representing ordinary shares of Blesspharma Ltd. As at the date of March 22, 2022, no share has been granted under the Plan. For details of the Plan, please refer to the announcements dated August 31, 2021 and October 8, 2021.

- We have a solid patent portfolio to protect our drug candidates and technologies. As of December 31, 2021, we owned 172 patents or patent applications that are filed globally, in which 30 patents have been issued or allowed in major markets including China, U.S., Europe, Japan, South Korea, Southeast Asia, South America, South Africa, Taiwan (China) etc.

Management Discussion and Analysis

IMPACT OF THE COVID-19 OUTBREAK

An outbreak of a novel strain of coronavirus causing coronavirus disease 2019 ("**COVID-19**") emerged in late 2019, which has materially and adversely affected the global economy.

Since the outbreak, we have deployed various measures to mitigate any impact the COVID-19 pandemic may have on our business, especially our ongoing clinical trials. We have endeavored to provide a safe work environment and adopted a thorough disease prevention scheme to protect our employees. There remains uncertainty regarding the future impact of the pandemic globally. Our Company is striving to minimize delays and disruptions and we believe that the COVID-19 pandemic did not significantly and materially affect our operation. However, the potential negative impact on our global operations in the future, including clinical trial recruitment and participation and regulatory interactions, may be difficult to predict.

FUTURE AND OUTLOOK

We are a front runner in selecting, discovering and developing potential first-in-class therapies with innovative mechanisms for global oncology treatment. By continuing to strengthen our drug discovery platform and to advance our pipeline, we expect to obtain global market leadership with a number of transforming therapies and expect to benefit cancer patients significantly. In addition, we also plan to add world-class manufacturing and commercialization capabilities to our integrated discovery and development platform as we achieve clinical progress and anticipate regulatory approvals.

In the near term, we plan to focus on pursuing the following significant opportunities:

- **Develop our SHP2 assets in China and worldwide**

  We are one of the early movers globally in developing allosteric drugs, including two lead assets-SHP2 inhibitors and KRAS G12C inhibitor, which we expect to be the key revenue drivers.

  We are evaluating JAB-3068 and JAB-3312 in both monotherapy and in combination therapies to maximize the clinical benefits. By executing the global clinical development plan in an efficient and timely manner, we believe that we can establish our SHP2 inhibitors as monotherapy and the backbone drugs for combination therapies for multiple solid tumors. In addition, as we have both SHP2 and KRAS assets in our pipeline, we are well-positioned to explore the clinical benefits of this combination therapy.

- **Develop, commercialize and expand our KRAS portfolio**

  KRAS is one of the most well-known proto-oncogenes and is crucially involved in human cancer. Based on our cutting-edge allosteric inhibitor platform, we have developed a diversified portfolio of KRAS inhibitor programs that target different forms of KRAS which harbor either G12C, G12D, G12V or other mutations.

  The dose escalation phase of our lead KRAS program, KRAS G12C inhibitor (JAB-21822), was completed in China with RP2D identified. The expansion phase of monotherapy trial in the U.S. is expected to be initiated in the second half of 2022 as well. We plan to initiate the pivotal registrational trial in the second half of 2022 in China and expect to complete a NDA submission to the NMPA during 2023 to 2024.

Management Discussion and Analysis

Other than JAB-21822, JAB-23400, a KRASmulti inhibitor, was nominated in February 2022. It can potently inhibit the activity of multiple KRAS mutants in both active and inactive states, including G12V, G12D and G13D. We have two discovery programs of small molecule KRAS inhibitors targeting G12D (JAB-22000) and G12V (JAB-23000) mutations. In addition to small molecules, we also discovered a large molecule antibody (JAB-BX300) targeting RAS pathway.

We intend to pursue the development of our frontier KRAS portfolio designed to address tumors where few treatment options exist with significant unmet medical needs in global market, including pancreatic, CRC and other solid tumors with KRAS mutations, in both single agent and rational combination therapies.

- **Continuously progress and expand the additional pipeline targeting multiple other promising pathways**

We have an established track record of successfully selecting important yet often overlooked or passed-over cancer targets. In addition to our SHP2 and KRAS assets, we will continue to progress our rich pipeline including several early-stage drug candidates that target a variety of other major and critical pathways.

Leveraging our strong internal research capabilities, we have advanced our JAB-8263 in MYC pathway and JAB-2485 in RB pathway to clinical stage, who also have strong combination potential with each other.

The rest of our novel pipeline continues to progress rapidly, which includes programs in P53 pathway (JAB-30000), tumor metabolic pathway (JAB-24114) and immune-oncology pathway (JAB-26766). We will continue to explore possible combinations amongst our own pipeline drug candidates.

- **Capture global market opportunities and expand to compelling area of research through collaborations**

On the coattails of our landmark collaboration with AbbVie for our SHP2 portfolio inhibitors, we plan to continue exploring partnerships around the world to fulfill people's shared dream of curing cancer and living a better life. We intend to find the most suitable and resourceful partners for collaboration to expand our footprint of global development and the commercialization of our drug candidates. Through our recent collaboration with Hebecell, we are expanding our pipeline of novel medicines from small molecule and antibody therapeutics to off-the-shelf cell therapies. We will continue exploring partnerships around the world to look for compelling areas of research that have been primarily out of reach for many of the world's patients.

- **Strengthen our talent pool and increase multi-regional presence**

In order to execute our global development strategy, we have established dual R&D centers in both Beijing, China and Massachusetts, the U.S. as our two main global R&D hubs. Besides, we launched our third R&D center in April 2021 in Shanghai, China, to attract and recruit well-trained scientists and physicians across the world.

Management Discussion and Analysis

Our clinical development team has expanded its global footprint with clinical networks in China and the U.S. and is expected to expand to other territories in the near future. Our global clinical development capabilities are well demonstrated by our rapid implementation of over twenty ongoing clinical trials, including multi-regional clinical trials ("**MRCT**") following specific regulatory requirements.

We have developed a cohesive and vibrant corporate culture that inspires and encourages innovation, which we believe helps us to attract, retain and motivate an aspiring team to drive our fast growth. We are committed to explore cutting-edge anti-cancer therapies, with this belief, we plan to enrich our scientific teams in both China and the U.S.

- **Enhance our advanced research and development platform**

  We have built an integrated R&D platform to enable our strategic focus on the R&D of innovative drugs in oncology with large unmet medical needs. Our integrated R&D platform consists of three specialized platforms, including a drug target discovery and validation platform, an allosteric inhibitor technology platform and a translational medicine platform.

  We believe that R&D is key to driving our therapeutic strategy and maintaining our competitiveness in the biopharmaceutical industry. With this belief, we are committed to further strengthening and advancing our R&D platforms to continuously fuel innovation.

- **Expand our manufacturing capabilities in China**

  We are building our in-house GMP-compliant manufacturing facilities to expand our manufacturing capabilities. We cooperate with a third party to construct new facilities for R&D, manufacturing and general administration with a total gross floor area of around 20,000 sq.m. in Beijing, China. The commercial-scale manufacturing facilities are currently under construction. It is estimated that the construction and fit-out of the manufacturing facilities will be completed by the end of 2023.

We are committed to being an innovative biopharmaceutical company which enjoys global market shares. To achieve this goal, we plan to build a fully functional capabilities including R&D, manufacturing and commercialization in China, and obtain global market shares by partnering with top MNCs. We strive to deploy our innovation engine for creating a robust pipeline in the fight against cancer for the benefits of patients around the world.

Cautionary Statement under Rule 18A.08(3) of the Listing Rules: Our Company cannot guarantee that it will be able to successfully develop or ultimately market our Core Products. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

	Year ended December 31,			
	2021		2020	
	RMB'000	*%*	*RMB'000*	*%*
Revenue from the license and collaboration agreement	**152,809**	**100**	486,286	100

For the year ended December 31, 2021 and 2020, our Group recorded revenue of RMB152.8 million and RMB486.3 million, respectively, which are in connection with receipt of upfront payment, milestone payment and R&D costs reimbursement generated from the license and collaboration agreement with AbbVie regarding the R&D, manufacture and commercialization of our SHP2 inhibitors.

Cost of Revenue

	Year ended December 31,			
	2021		2020	
	RMB'000	*%*	*RMB'000*	*%*
Clinical trial expenses of our SHP2 inhibitors	**139,979**	**100**	44,115	100

Our cost of revenue consists of research and development expenses related to our SHP2 inhibitors. For the year ended December 31, 2021, we recorded cost of revenue of RMB140.0 million, mainly attributable to the clinical trial expenses of our SHP2 inhibitors, as compared with RMB44.1 million for year ended December 31, 2020. Before the license and collaboration agreement that we have entered into with Abbive became effective in July 2020, the research and development expenses related to our SHP2 inhibitors was recorded in research and development expenses.

Gross Profit

	Year ended December 31,			
	2021		2020	
	RMB'000	*%*	*RMB'000*	*%*
Gross profit from the license and collaboration agreement	**12,830**	**100**	442,171	100

As a result of the foregoing, our gross profit decreased from RMB442.2 million for the year ended December 31, 2020 to RMB12.8 million for the year ended December 31, 2021.

Management Discussion and Analysis

Other Income

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Government grants	**10,262**	7,009
Other income from a related party	**735**	–
Investment income on wealth management products	**–**	686
Total	**10,997**	7,695

Our other income increased from RMB7.7 million for the year ended December 31, 2020 to RMB11.0 million for the year ended December 31, 2021, primarily attributable to an increase in government grants of RMB3.3 million. Our income from a related party of RMB0.7 million was generated from the consulting services provided to Hebecell during the Reporting Period.

Other Losses – Net

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Net foreign exchange losses	**(27,263)**	(31,749)
Net fair value gains on derivative financial instruments	**9,275**	784
Fair value changes on long-term investments measured at fair value through profit or loss	**193**	–
Total	**(17,795)**	(30,965)

The decrease in other losses was primarily attributable to the USD and the HKD depreciation against RMB for the year ended December 31, 2021 which has resulted in net foreign exchange losses of RMB27.3 million for the year ended December 31, 2021.

Our other losses consisted primarily of losses due to fluctuations in the exchange rates between the RMB and the USD and between the RMB and the HKD. Our net foreign exchange loss decreased by RMB4.5 million from RMB31.7 million for the year ended December 31, 2020 to RMB27.3 million for the year ended December 31, 2021, which was mainly attributable to less bank balances and cash held by our Group denominated in USD and HKD for the year ended December 31, 2021 compared to that for the year ended December 31, 2020.

Our business mainly operates in the PRC, and most of our Group's transactions are settled in RMB. Since our inception, we have financed our business solely through equity financings, with related proceeds denominated in USD, HKD and RMB. We converted a portion of those proceeds in USD and HKD to RMB with the remaining amounts reserved for additional conversions to RMB as needed. Translation for financial statement presentation purposes of our assets and liabilities exposes us to currency-related gains or losses and the actual conversion of our USD and HKD denominated cash balances will also expose us to currency exchange risk.

Our foreign exchange hedging related activity has resulted in a gain of RMB6.5 million for the year ended December 31, 2021. We have managed our foreign exchange risk by closely reviewing the movement of the foreign currency rates and would consider hedging against foreign exchange exposure should the need arise.

Management Discussion and Analysis

Research and Development Expenses

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Testing fee	**110,550**	68,566
Employee benefits expenses	**82,950**	61,526
Raw material and consumables used	**63,866**	35,382
Depreciation and amortization	**8,044**	6,701
Others	**15,428**	13,777
Total	**280,838**	185,952

Our research and development expenses increased by RMB94.9 million from RMB186.0 million for the year ended December 31, 2020 to RMB280.8 million for the year ended December 31, 2021, primarily due to (i) the advancement to our clinical candidates, (ii) the expansion of pre-clinical research portfolio associated R&D activities, and (iii) the increased staff costs accompanied with expanding of relative R&D departments. Such increase in research and development expenses was resulted from the following factors:

- RMB42.0 million increase in testing fee mainly due to the advancement of our clinical and pre-clinical drug candidates;
- RMB28.5 million increase in raw material and consumables used due to the development of our drug candidates; and
- RMB21.4 million increase in employee benefits expenses primarily due to an increase in the number of research and development employees and their salary level.

Administrative Expenses

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Employee benefits expenses	**27,048**	16,152
Professional services expenses	**7,392**	2,943
Depreciation and amortization	**650**	1,031
Listing expenses	**–**	26,630
Others	**9,488**	7,082
Total	**44,578**	53,838

Our administrative expenses decreased by RMB9.3 million from RMB53.8 million for the year ended December 31, 2020 to RMB44.6 million for the year ended December 31, 2021, which was mainly caused by (i) the decrease in listing expenses in connection with the IPO from RMB26.6 million to nil and (ii) the increase of employee benefits expenses and other administrative expenses in line with our business expansion.

Management Discussion and Analysis

Finance Income

Our finance income increased by RMB15.6 million from RMB3.1 million for the year ended December 31, 2020 to RMB18.8 million for the year ended December 31, 2021, which was mainly attributable to an increase of bank interest income earned on the proceed form the Global Offering.

Income Tax Expense

We recognized no income tax expenses for the years ended December 31, 2021 and 2020.

Non-IFRS Measure

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

Adjusted loss for the Reporting Period represents the loss for the Reporting Period excluding the effect of certain noncash items and one-time events, namely the fair value losses in financial instruments with preferred shares, listing expenses, share-based payment expenses, fair value gains in derivative financial instruments arising from the commitment of investments and fair value gains in long-term investments measured at fair value through profit or loss. The term adjusted loss for the Reporting Period is not defined under the IFRS. The use of this non-IFRS measure has limitations as an analytical tool, and should not consider it in isolation from, or as substitute for analysis of, our Group's results of operations or financial condition as reported under IFRS. Our Company's presentation of such adjusted figure may not be comparable to a similarly titled measure presented by other companies. However, our Company believes that this and other non-IFRS measures are reflections of our Group's normal operating results by eliminating potential impacts of items that the management do not consider to be indicative of our Group's operating performance, and thus, facilitate comparisons of operating performance from period to period and company to company to the extent applicable.

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

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Loss for the year	**(301,187)**	(1,513,677)
Added:		
Share-based payment expenses	**19,449**	19,656
Fair value losses in financial instruments with preferred rights	**–**	1,694,435
Listing expenses	**–**	26,630
Subtracted:		
Fair value gains in long-term investments measured at fair value through profit or loss	**(193)**	**–**
Fair value gains in derivative financial instruments arising from the commitment of investments	**(2,747)**	**–**
Adjusted profit/(loss) for the year	**(284,678)**	227,044

Management Discussion and Analysis

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

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Research and development expenses for the year	**(280,838)**	(185,952)
Added:		
Share-based payment expenses	**11,845**	14,696
Adjusted research and development expenses for the year	**(268,993)**	(171,256)

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

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Administrative expenses for the year	**(44,578)**	(53,838)
Added:		
Share-based payment expenses	**5,805**	3,436
Listing expenses	**–**	26,630
Adjusted administrative expenses for the year	**(38,773)**	(23,772)

Cash Flows

During the year ended December 31, 2021, net cash used in operating activities of our Group amounted to RMB147.5 million, representing an increase of RMB226.3 million compared to the net cash generated from operating activities during the year ended December 31, 2020. The increase was mainly due to the increase of research and development expenses.

During the year ended December 31, 2021, net cash flows generated from investing activities of our Group amounted to RMB161.7 million, representing an increase of RMB377.2 million over the year ended December 31, 2020. The increase was mainly due to the settlement of deposits with original maturities over 3 months during the year ended December 31, 2021.

During the year ended December 31, 2021, net cash flows generated from financing activities of our Group amounted to RMB109.1 million, representing a decrease of RMB1,166.3 million over the year ended December 31, 2020. The decrease was mainly due to the combined impact of (i) fund raised from the exercise of over-allotments option of RMB132.8 million during the year ended December 31, 2021, (ii) fund raised from the Global Offering of RMB1,103.5 million during the year ended December 31, 2020, and (iii) fund raised from the issuance of series C+ preferred Shares of RMB182.5 million during the year ended December 31, 2020.

Management Discussion and Analysis

Significant Investments, Material Acquisitions and Disposals

In August 2021, our Company entered into a share purchase agreement with Hebecell (the "**Share Purchase Agreement**"), pursuant to which our Company has agreed to purchase and subscribe, and Hebecell has agreed to allot and issue, 1,321,257 series A preferred shares of Hebecell with the consideration of US$25,000,000, which represents approximately 19.74% of the issued share capital of Hebecell on a fully-diluted and as converted basis upon completion of the closings of the share purchase agreement. Hebecell, founded in Boston in 2016, is primarily engaged in developing universal, cost effective and off-the-shelf NK cell therapeutics based on its proprietary 3D-induced pluripotent stem cell (iPSC) platform, which will be available to worldwide patients for the treatment of cancer, viral infectious and autoimmune diseases. As of March 22, 2022, the first closing under the Share Purchase Agreement has been achieved and our Company currently holds approximately 3.28% of the issued share capital of Hebecell on a fully-diluted and as converted basis. For details, please refer to the announcement published on the websites of the Stock Exchange and our Company dated August 31, 2021.

Other than the investment in Hebecell, our Group did not have any significant investments or material acquisitions or disposals of subsidiaries, associates, and joint ventures.

Liquidity, Capital Resources and Gearing Ratio

We expect our liquidity requirements will be satisfied by a combination of cash generated from operating activities, other funds raised from the capital markets from time to time and the net proceeds from the initial public offering.

We currently do not have any plan for material additional external debt or equity financing. We will continue to evaluate potential financing opportunities based on our need for capital resources and market conditions.

As of December 31, 2021, our cash and bank balances were RMB1,537.6 million, as compared to RMB1,627.4 million as of December 31, 2020. The decrease was mainly due to net cash used in our operating activities. Our primary uses of cash are to fund research and development efforts of new drug candidates, working capital and other general corporate purposes. Our cash and cash equivalents are held in USD, RMB and HKD.

On January 13, 2021, the international underwriters of the Global Offering partially exercised the over-allotment option, pursuant to which our Company is required to allot and issue the option shares, being 11,808,300 Shares, representing approximately 12.24% of the maximum number of shares initially available under the Global Offering, at the offer price under the Global Offering. The net proceeds from the exercise of the over-allotment option were approximately HK$158.7 million (after deducting the commissions and other offering expenses payable by our Company in relation to the partial exercise of the over-allotment option).

Currently, our Group follows a set of funding and treasury policies to manage its capital resources and mitigate potential risks involved.

As of December 31, 2021, our Group did not have any interest-bearing bank and other borrowings. Thus, neither the gearing ratio nor the debt-to-equity ratio was applicable to our Group.

Management Discussion and Analysis

Lease Liabilities

IFRS 16 Leases is effective for annual periods beginning on or after January 1, 2019 and earlier application is permitted. IFRS 16 has been consistently applied to our Group's consolidated financial statements for the year ended December 31, 2020 and 2021. As at December 31, 2021, our lease liabilities amounted to RMB6.8 million.

Capital Commitments

As at December 31 2021, our Group had capital commitments contracted for but not yet provided of RMB152.2 million, among which RMB3.8 million was in relation to contracts for purchase of property, plant and equipment and RMB148.4 million was primarily in relation to the capital commitments for the share purchase agreement entered into with Hebecell in August 2021. As at December 31, 2020, our capital commitments for purchase of property, plant and equipment was RMB0.5 million.

Contingent Liabilities

As at December 31, 2021, our Group did not have any contingent liabilities (2020: Nil).

Pledge of Assets

There was no pledge of our Group's assets as of December 31, 2021.

Foreign Exchange Exposure

Our financial statements are expressed in RMB, but certain of our cash and cash equivalents, time deposits, restricted bank deposits, contract assets, trade payables and other payables and accruals are denominated in foreign currencies, and are exposed to foreign currency risk. The management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Liquidity Risk

As of December 31, 2021 and 2020, we recorded net current assets of RMB1,558.9 million and RMB1,741.5 million, respectively. In the management of the liquidity risk, our Company monitors and maintains a level of cash and cash equivalents deemed adequate by its management to finance the operations and mitigate the effects of fluctuations in cash flows.

Employees and Remuneration Policies

As at December 31, 2021, our Group had 262 employees in total. The total remuneration costs amounted to RMB128.7 million for the year ended December 31, 2021, as compared to RMB83.1 million for the year ended December 31, 2020. The increase reflected the increased number of employees and their salary level which is in line with our business expansion strategy.

In order to maintain the quality, knowledge and skill levels of our workforce, our Group provides continuing education and training programs, including internal and external training, for our employees to improve their technical, professional or management skills. Our Group also provides trainings programs to our employees from time to time to ensure their awareness and compliance with our policies and procedures in various aspects.

Management Discussion and Analysis

We provide various incentives and benefits for our employees. We offer competitive salaries, bonuses and share-based compensation to our employees, especially key employees. We have made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees in accordance with applicable laws. We have also adopted a Plan on August 31, 2021, which intends to attract and retain the best available personnel, to provide additional incentives to Employees and to promote the success of our Company's business. For more details of the Plan, please refer to the announcement published on the websites of the Stock Exchange and the Company dated August 31, 2021 and October 8, 2021.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Audit Committee had reviewed together with the Company's management the accounting principles and policies adopted by the Group and discussed internal controls and financial reporting matters including a review of the audited consolidated financial statements of the Group for the year ended December 31, 2021.

Directors and Senior Management

DIRECTORS

Executive Directors

Dr. Yinxiang WANG (王印祥), the founder of our Group, aged 57, has been a Director since June 1, 2018 and was re-designated as an executive Director and the Chairman of our Board on August 20, 2020. Dr. Wang has been serving the chief executive officer of our Company since August 2019. Dr. Wang is primarily responsible for the overall strategic planning, business direction and operational management of our Group. Dr. Wang also currently holds or previously held the following positions in the subsidiaries of our Group:

Name of subsidiary	Position(s)	Period
Beijing Jacobio	Legal Representative, Chairman of the Board	July 2015 to present
Jacobio US	Chief Executive Officer Director, Treasure	June 2019 to present December 2018 to present
Jacobio HK	Director	July 2018 to present
Jacomab	Legal Representative, Chairman of the Board Legal Representative, Executive Director	December 2016 to June 2019 June 2019 to present

Dr. Wang has more than 20 years of experience in the pharmaceutical industry. Prior to founding our Group, from August 1983 to August 1985 and from August 1988 to August 1989, Dr. Wang served as a physician at Hebei Handan Area Sanitation and Epidemic Prevention Station (河北邯鄲地區衛生防疫站). From August 1992 to June 1993, Dr. Wang worked at the teaching and research section of immunology of the School of Basic Medical Sciences of 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)). Subsequently, in January 2003, Dr. Wang co-founded Zhejiang Betta Pharmaceuticals Co., Ltd. (浙江貝達藥業有限公司), where he served as a director and the general manager (總經理) from its inception in January 2003 to August 2013. From August 2013 to August 2017, he served as a director and the president (總裁) of Betta Pharmaceuticals Co., Ltd. (貝達藥業股份有限公司) (Shenzhen Stock Exchange stock code: 300558) ("Betta Pharma"), the successor of Zhejiang Betta Pharmaceuticals Co., Ltd. since August 2013. Due to the collaboration between our Company and Hebecell, Dr. Wang also served as the chairman of the board of directors of Hebecell since September 2021, the chairman of the board of directors of Hebecell Holding (HK) Limited since October 2021, the chairman of the board of directors of Beijing Jiake Cell Biotech Co., Ltd. (北京加科細胞生物科技有限公司) and Beijing Hebecell Technology Co., Ltd. (北京赫柏賽爾科技有限公司) since December 2021. In addition, Dr. Wang used to serve as a post-doctoral fellow at Koleske Lab of Yale University which focuses on research in the fields of molecular biology and biochemistry.

Dr. Wang completed a secondary technical program in public health offered by Hebei Cangzhou Medical College (河北省滄州衛生學校) in September 1983, and a three-year college program for public health physicians offered by Hebei Employees' Medical College (河北省職工醫學院) (currently known as Hebei University Medical College (河北大學醫學院)) in July 1988, respectively. Dr. Wang obtained his master's degree in environmental hygiene in December 1992 from Chinese Academy of Preventive Medicine (中國預防醫學科學院) and his doctoral degree in biochemistry and molecular biology from University of Arkansas for Medical Sciences in December 1999.

Directors and Senior Management

Ms. Xiaojie WANG (王曉潔), aged 58, has been a Director since July 31, 2018, and was re-designated as an executive Director on August 20, 2020. Ms. Wang has been serving as the President of Administration of our Group since September 2015. Since joining our Group, Ms. Wang has participated in the daily operations of our Group and is primarily responsible for the overall administration, operational and financial management of our Group. Ms. Wang also currently holds or previously held the following positions in the subsidiaries of our Group:

Name of subsidiary	Position(s)	Period
Beijing Jacobio	Director, President of Administration	September 2015 to present
Jacobio US	President, Secretary	December 2018 to present
Jacobio HK	Director	August 2018 to present
Jacomab	Director Manager	December 2016 to November 2017 December 2016 to November 2017 and June 2019 to present

Ms. Wang has more than 19 years of experience in the pharmaceutical industry. Prior to joining our Group, from March 2003 to March 2015, Ms. Wang worked at Betta Pharma, where she served as a vice president prior to her resignation.

Ms. Wang obtained her bachelor's degree in sugar engineering from Dalian Institute of Light Industries (大連輕工業學院) (currently known as Dalian Polytechnic University (大連工業大學)) in July 1986. Ms. Wang completed a postgraduate program in business administration offered by Peking University (北京大學) in May 2007 and a program for executive masters of business administration with a focus on the nationwide medical industry offered by Peking University in October 2008.

Ms. Yunyan HU (胡雲雁), aged 59, has been a Director since July 31, 2018 and was re-designated as an executive Director on August 20, 2020. Ms. Hu has been serving as a Senior Vice President of our Group since March 2019. Ms. Hu is primarily responsible for directing and overseeing the research and development of our Group. Ms. Hu also holds the following positions in the subsidiaries of our Group:

Name of subsidiary	Position(s)	Period
Beijing Jacobio	Director Vice President of Research and Development Senior Vice President	September 2017 to present April 2017 to March 2019 March 2019 to present
Jacobio HK	Director	August 2018 to present

Ms. Hu has more than 18 years of experience in the pharmaceutical industry. Prior to joining our Group, between 2004 to August 2013, Ms. Hu served as the director of the drug analysis office, director of the quality control department and deputy director of research and development at the Beijing research and development center of new drugs of Zhejiang Betta Pharmaceuticals Co., Ltd. Ms. Hu served as the deputy director of research and development center from August 2013 to March 2016 and a supervisor from August 2013 to February 2017, respectively, at Betta Pharma.

Ms. Hu graduated from an undergraduate program in analytical chemistry offered by Lanzhou University in July 1982 and obtained her master's degree in analytical chemistry from the Lanzhou Institute of Chemical Physics, Chinese Academy of Sciences (中國科學院蘭州化學物理研究所) in August 1987.

Directors and Senior Management

Dr. Shaojing HU (胡邵京), aged 59, has been a Director since July 31, 2018 and was re-designated as an executive Director on August 20, 2020. As the President of Research and Development of our Group since February 2017, Dr. Hu is primarily responsible for directing and overseeing the research and development of our Group. Dr. Hu also currently holds or previously held the following positions in the subsidiaries of our Group:

Name of subsidiary	Position(s)	Period
Beijing Jacobio	President of Research and Development Director	February 2017 to May 2021 September 2017 to May 2021
Jacobio HK	Director	August 2018 to May 2021
Jacomab	Director	November 2017 to June 2019

Dr. Hu has extensive experience in the pharmaceutical industry and academic research. Prior to joining our Group, from March 2009 to January 2017, Dr. Hu served as the chief chemist at Betta Pharma. Over the years, Dr. Hu has published a number of first-authored and co-authored academic papers in the chemistry field. In March 2021, Dr. Hu joined 3H Pharmaceuticals (Shanghai) Co., Ltd. (思康睿奇(上海)藥業有限公司), a biomedical company in China, where he currently serves as the legal representative.

Dr. Hu obtained his bachelor's degree in chemistry in July 1983 and his master's degree in organic chemistry in June 1988 from Xiangtan University. Dr. Hu obtained his doctoral degree in chemistry from Simon Fraser University in May 1999.

Dr. Hu ceased to be the executive Director of the Company with effective from March 22, 2022. For further details, please refer to the relevant announcement of the Company on March 22, 2022.

Non-Executive Directors

Dr. Ting FENG (馮婷), aged 38, has been a Director since February 27, 2020 and was re-designated as a non-executive Director on August 20, 2020. Dr. Feng is primarily responsible for participating in decision – making in respect of major matters such as corporate and business strategies. Dr. Feng also holds the following positions in the subsidiaries of our Group:

Name of subsidiary	Position(s)	Period
Beijing Jacobio	Director	February 2020 to March 2022
Jacobio HK	Director	February 2020 to April 2022

From June 2013 to June 2016, Dr. Feng served as a senior consultant at IMS Market Research Consulting (Shanghai) Co., Ltd. (艾美仕市場調研諮詢(上海)有限公司). From June 2016 to November 2018, Dr. Feng served as a senior investment manager in the healthcare sector at SAIF Partners, a private equity firm that invests in information technology, healthcare and other industries in Asia. From December 2018 to January 2022, Dr. Feng served as a vice president at LAV Advanced Management (Shanghai) Company Limited, a biomedical venture capital firm in China. In addition, Dr. Feng used to serve as a post-doctoral fellow in the Benoist-Mathis lab at Harvard Medical School, focusing on immunology research.

Dr. Feng obtained her bachelor's degree in biotechnology from Wuhan University (武漢大學) in June 2005 and her doctoral degree from the University of Alabama at Birmingham in May 2010.

Dr. Feng ceased to be the non-executive Director of the Company with effective from March 22, 2022. For further details, please refer to the relevant announcement of the Company on March 22, 2022.

Directors and Senior Management

Ms. Yanmin TANG (唐豔旻), aged 49, has been a Director since August 22, 2018 and was re-designated as a non-executive Director on August 20, 2020. Ms. Tang is primarily responsible for participating in decision-making in respect of major matters such as corporate and business strategies. Ms. Tang also currently holds the following positions in the subsidiaries of our Group:

Name of subsidiary	Position(s)	Period
Beijing Jacobio	Director	August 2018 to present
Jacobio HK	Director	August 2018 to present

From December 2002 to August 2015, Ms. Tang served as the general manager of Asia Baokang Pharmaceutical Consulting (Beijing) Co., Ltd. (亞洲保康藥業諮詢(北京)有限公司). Since December 2015, Ms. Tang has served as an investment partner of Suzhou Qiyuan Equity Investment Management Partnership Enterprise (Limited Partnership) (蘇州啟元股權投資管理合夥企業(有限合夥)) which is an investment arm of and is operated under Qiming Venture Partners. Since July 2017, Ms. Tang has also served as a director of Sinocelltech Group Ltd (北京神州細胞生物技術集團股份公司) (Shanghai Stock Exchange stock code: 688520). Ms. Tang also currently serves or previously served as a director in the following companies:

Name of company	Period
Beijing Sinotau International Pharmaceutical Technology Co., Ltd. (北京先通國際生物醫藥科技股份技術有限公司)	May 2016 to present
Beijing Sinotau Pharmaceutical Technology Co., Ltd. (北京先通生物醫藥技術有限公司)	May 2016 to present
Cure Genetics Co., Ltd (蘇州克睿基因生物科技有限公司)	July 2018 to present
Suzhou Keyue Biotech Co., Ltd (蘇州克愈生物科技有限公司)	October 2018 to present

Ms. Tang obtained her bachelor's degree in pharmacy in English from Shenyang Pharmaceutical University (瀋陽藥科大學) in July 1996 and her master's degree in business administration for senior management from Cheung Kong Graduate School of Business (長江商學院) in September 2008. Ms. Tang was certified as a pharmacist by Tianjin Municipal Human Resources and Social Security Bureau (天津市人力資源和社會保障局) in October 1997.

Dr. Dong LYU (呂東), aged 47, has been a non-executive Director since November 30, 2020. Dr. Lyu is primarily responsible for participating in decision-making in respect of major matters such as corporate and business strategies.

From July 2011 to July 2016, Dr. Lyu served as a vice president of the pharmaceutical and medical device investment department at Shanghai Panxin Equity Investment Management Co., Ltd. (上海磐信股權投資管理有限公司). From September 2016 to September 2020, Dr. Lyu worked in PAG Growth (Zhuhai) Holding Investment Management Co., Ltd (太盟成長(珠海)股權投資管理有限公司), where he served as the managing director prior to his resignation. Subsequently, in September 2020, Dr. Lyu joined Zhuhai Gaoling Equity Investment Management Ltd. (珠海高瓴股權投資管理有限公司), where he currently serves as the managing director.

Directors and Senior Management

Dr. Lyu obtained his bachelor's degree in pharmacy from the 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, his master's degree in pharmaceutics from the Peking University (北京大學) in June 2003 and his doctoral degree in social and administrative pharmacy from the China Pharmaceutical University (中國藥科大學) in June 2010.

Dr. Te-li CHEN (陳德禮), aged 53, has been a non-executive Director since August 20, 2020. Dr. Chen is primarily responsible for participating in decision-making in respect of major matters such as corporate and business strategies.

Dr. Chen has over 24 years of experience in the medical industry. From May 1997 to August 2006, Dr. Chen served as a physician in Taipei Veterans General Hospital (台北榮民總醫院). From August 2006 to January 2016, Dr. Chen served as an associate professor in internal medicine in the National Yang-Ming University (國立陽明大學). Since July 2016, Dr. Chen has been serving as the chairman of the board and the general manager of BioGend Therapeutics Co., Ltd. (博晟生醫股份有限公司) (Taipei Exchange stock code: 6733) which principally engages in the production of medical equipment.

Dr. Chen obtained his bachelor's degree in medicine from the National Defense Medical Center (國防醫學院) in Taiwan in July 1995. Dr. Chen obtained his doctoral degree from the Institute of Tropical Medicine of the National Yang-Ming University (國立陽明大學) in Taiwan in June 2008. Dr. Chen was certified as a physician by the Ministry of Health and Welfare in Taiwan (台灣衛生福利部) in December 1995.

Independent non-executive Directors

Dr. Ruilin SONG (宋瑞霖), aged 59, as an independent non-executive Director, is responsible for supervising and providing independent judgment to our Board.

Dr. Song has been dedicated to the research of China's pharmaceutical policies, especially the policies for pharmaceutical innovation. Dr. Song has served as a member of the council of the Chinese Pharmaceutical Association (中國藥學會) (the "Association") since November 2009 and a member of the Pharmaceuticals Management Expert Committee (藥事管理專業委員會) of the Association since July 2016. Dr. Song is currently serving as the Executive president of PhIRDA (中國醫藥創新促進會).

Dr. Song was or has been an independent director of Shanxi Zhendong Pharmaceutical Co., Ltd. (山西振東製藥股份有限公司) (Shenzhen Stock Exchange stock code: 300158) from June 2015 to July 2021, Boya Bio-pharmaceutical Group Co., Ltd. (博雅生物製藥集團股份有限公司) (Shenzhen Stock Exchange stock code: 300294) from March 2017 to February 2021, an independent director of Tibet Aim Pharm. Inc. (西藏易明西雅醫藥科技股份有限公司) (Shenzhen Stock Exchange stock code: 002826) from July 2015 to August 2021, a non-executive director of Shenzhen Chipscreen Biosciences Co., Ltd. (深圳微芯生物科技股份有限公司) (Shanghai Stock Exchange stock code: 688321) since June 2018, a non-executive director of Luye Pharma Group Limited (綠葉製藥集團有限公司) (Stock Exchange stock code: 02186) since March 2017, an independent non-executive director of Shanghai Henlius Biotech, Inc. (上海復宏漢霖生物技術股份有限公司) (Stock Exchange stock code: 02696) since September 2019, an independent non-executive director of Simcere Pharmaceutical Group Limited (先聲藥業集團有限公司) (Stock Exchange stock code: 02096) since November 2019, and an independent non-executive director of Mediwelcome Healthcare Management & Technology Inc. (麥迪衛康健康醫療管理科技股份有限公司) (Stock Exchange stock code: 02159) since December 2020.

Directors and Senior Management

Notwithstanding Dr. Song's engagement as an independent non-executive Director of seven listed companies, Dr. Song confirmed that he would devote sufficient time to act as our independent non – executive Director based on the following:

- Dr. Song is neither a full time member of the above-named companies nor involved in the day-to – day operations or management of such companies. As such, he has no executive and management responsibility therein;
- based on the published annual reports for 2018 and 2019 of the other listed companies in which Dr. Song has directorships as of the date of this annual report, he has participated, by personal attendance, by correspondence or by proxy, in over 95% of the board meetings of such listed companies during these two years;
- he is not a CEO or full-time executive director of any listed company;
- he does not have significant commitments at government or non-profit-making bodies;
- with his background and experience, Dr. Song is fully aware of the responsibilities and expected time involvement for an independent non-executive director. He has sufficient understanding of his role as independent director in different listed companies and of estimating the time required for attending to the affairs of each listed company. He has not found difficulties in devoting to and managing his time with numerous companies and he is confident that with his experience in being responsible for several roles, he will be able to discharge his duties to our Company;
- none of the above-named listed companies that he has a directorship with has questioned or complained about his time devoted to such companies; and
- Dr. Song's role in our Group is non-executive in nature and he will not be involved in the daily management of our Group's business, thus his engagement as our independent non-executive Director will not require his full-time participation.

In addition, pursuant to the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, the Board will regularly review whether each of the Directors is spending sufficient time in performing his responsibilities. Our Board will, from time to time, review the attendance record of the Directors in the Board and its committees meetings. The Board may request the relevant Director(s) to provide an update to the Board in relation to any changes to his significant commitments in the event any concerns arise as to the time committed to us by any Director. At the time where any re-election of Director is proposed, we will also set out in the circular to our Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting the reasons why the Board believes such individual should be elected, why such individual is considered to be independent by the Board and, if appropriate or otherwise required, whether such individual would be able to devote sufficient time to the Board.

Based on the foregoing, the Directors are of the view that the various positions currently held by Dr. Song will not result in Dr. Song not having sufficient time to act as our independent non-executive Director or not properly discharging his fiduciary duties as a director of our Company.

Dr. Song obtained his bachelor's degree in law from China University of Political Science and Law (中國政法大學) in July 1985, his master's degree in business administration from China Europe International Business School (中歐國際工商學院) in November 2004 and his doctoral degree in social and administrative pharmacy from China Pharmaceutical University (中國藥科大學) in December 2018.

Directors and Senior Management

Dr. Ge WU (吳革), aged 54, as an independent non-executive Director, is responsible for supervising and providing independent judgment to our Board.

Dr. Wu has extensive experience in financial management and accounting. Dr. Wu has been successively serving as a lecturer from September 1994 to July 2001, an associate professor from July 2001 to December 2005 and a professor since December 2005 at the Accounting Department of the International Business School of University of International Business and Economics (對外經濟貿易大學).

Dr. Wu has been or was an independent director of Yunnan Bowin Technology Industry Co., Ltd (雲南博聞科技實業股份有限公司) (Shanghai Stock Exchange stock code: 600883) from May 2015 to May 2021, an independent non-executive director of Beijing North Star Company Limited (北京北辰實業股份有限公司) (Shanghai Stock Exchange stock code: 601588; Stock Exchange stock code: 0588) from May 2015 to March 2021, an independent director of Minsheng Investment Management Co., Ltd. (民生控股股份有限公司) (Shenzhen Stock Exchange stock code: 000416) since April 2019 and an independent director of Beijing Vastdata Technology Co., Ltd. (北京海量數據技術股份有限公司) (Shanghai Stock Exchange stock code: 603138) from June 2014 to June 2020.

Dr. Wu obtained his bachelor's degree in mathematics from Nanjing Normal University (南京師範大學) in July 1989, his master's degree in accounting from Nankai University (南開大學) in June 1994 and his doctoral degree in finance from University of International Business and Economics (對外經濟貿易大學) in June 2008.

Dr. Daqing CAI (蔡大慶), aged 56, as an independent non-executive Director, is responsible for supervising and providing independent judgment to our Board.

From June 2016 to March 2019, Dr. Cai served as a director of Shenogen Pharma Group Ltd. (北京盛諾基醫藥科技股份有限公司). In April 2018, Dr. Cai then founded Zhuhai Sherpa Equity Investment Management Co., Ltd. (珠海夏爾巴股權投資管理有限公司), a company engaging in venture capital investments and has been serving as a partner ever since. Since January 2019, Dr. Cai has been serving as a director at Sherpa Venture Capital (Cayman), Ltd. and Sherpa Healthcare Fund I GP, Ltd.

Dr. Cai was a director of Berry Genomics Co., Ltd. (成都市貝瑞和康基因技術股份有限公司) (Shenzhen Stock Exchange stock code: 000710) from July 2017 to April 2018 and a non-employee director of Bionano Genomics, Inc. (NASDAQ stock code: BNGO) from August 2018 to August 2019.

Dr. Cai obtained his bachelor's degree in biophysics from University of Science and Technology of China (中國科學技術大學) in July 1989, his master's degree in business administration from Yale University in August 1998 and his doctoral degree in vision science from University of California, Berkeley in May 1996.

Dr. Xiaoming WU (吳曉明), aged 67, as an independent non-executive Director, is responsible for supervising and providing independent judgment to our Board.

Over the years, Dr. Wu has been a professional educator in pharmacy and has served as the editor-in – chief or deputy editor-in-chief of multiple academic journals in the pharmaceutical field. Dr. Wu served as the president from June 1997 to January 2013 at China Pharmaceutical University (中國藥科大學).

Directors and Senior Management

Dr. Wu was an independent director at Boya Bio-pharmaceutical Group Co., Ltd. (博雅生物製藥集團股份有限公司) (Shenzhen Stock Exchange stock code: 300294) from March 2017 to February 2021. He has also been serving as an independent director at Shanghai Medicilon Inc. (上海美迪西生物醫藥股份有限公司) (Shanghai Stock Exchange stock code: 688202) since April 2016, Beijing Aosaikang Pharmaceutical Co., Ltd. (北京奧賽康藥業股份有限公司) (Shenzhen Stock Exchange stock code: 002755) since February 2019 and Jiangsu Zenji Pharmaceuticals Ltd. (江蘇正濟藥業股份有限公司) (NEEQ stock code: 834804) since May 2020.

Dr. Wu received his doctoral degree in pharmaceutical sciences from Kyushu University (九州大學) in August 1993.

Dr. Wu ceased to be the independent non-executive Director of the Company with effective from March 22, 2022. For further details, please refer to the relevant announcement of the Company on March 22, 2022.

SENIOR MANAGEMENT

The following table provides certain information about our senior management:

Name	Age	Position	Roles and Responsibilities	Date of joining our Group	Date of appointment as senior management of our Company
Yinxiang WANG (王印祥)	57	Chief Executive Officer, Chairman of our Board	Overall strategic planning, business direction and operational management	July 2015	July 17, 2015[1]
Xiaojie WANG (王曉潔)	58	President of Administration	Overall administration, operational and financial management	September 2015	September 1, 2015
Yunyan HU (胡雲雁)	59	Senior Vice President	Directing and overseeing research and development	April 2017	March 20, 2019
Andrea Wang-Gillam (王宜)	52	Chief Medical Officer, Senior Vice President	Directing clinical development of our Group's products	July 2020	July 16, 2020

Note:

(1) The date of appointment indicates the date of first appointment as senior management at Beijing Jacobio.

Directors and Senior Management

Yinxiang WANG (王印祥), see "– Directors – Executive Directors" for details.

Xiaojie WANG (王曉潔), see "– Directors – Executive Directors" for details.

Yunyan HU (胡雲雁), see "– Directors – Executive Directors" for details.

Andrea Wang-Gillam (王宜), aged 52, has been the Chief Medical Officer and a Senior Vice President of our Group since July 2020 and responsible for directing the clinical development of our Group's products.

Dr. Wang-Gillam has more than 11 years of experience in clinical research and development in the field of oncology. Prior to joining our Group, between June 2007 and July 2020, Dr. Wang-Gillam first served as an assistant professor, and starting from 2015, both an associate professor in oncology and the clinical director of the gastrointestinal oncology program at Washington University in St. Louis. From 2017 to July 2020, Dr. Wang-Gillam served as the director of the developmental therapeutics program of the division of oncology at the same university.

Dr. Wang-Gillam obtained her bachelor's degree in biology from Ouachita Baptist University in May 1993 and her doctorate of medicine and of philosophy (MD-PhD) from University of Arkansas for Medical Sciences in May 2001. Dr. Wang-Gillam has been a medical oncology specialist certified by the American Board of Internal Medicine (ABIM) since 2007.

Save as disclosed herein, no Directors or members of our senior management held any directorship positions in any listed companies in Hong Kong and overseas within the three years immediately preceding the date of this annual report. There is no other information relating to the relationship of any of our Directors with other Directors and senior management officers that should be disclosed pursuant to Rule 13.51(2) of the Listing Rules. Save as disclosed herein, to the best of the knowledge, information and belief of our Directors, there was no other matter with respect to the appointment of our Directors that need to be brought to the attention of the Shareholders and there was no other information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) or 13.51B(1) of the Listing Rules as of the date of this annual report.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Directors recognize the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability. The Company has adopted the code provisions stated in the CG Code contained in Appendix 14 of the Listing Rules. The Company is committed to the view that the Board should include a balanced composition of executive Directors and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

Except for the deviation from code provision A.2.1 of the CG Code (which has been re-numbered as code provision C.2.1 of the CG Code since 1 January 2022), the Group's corporate governance practices are in compliance with the CG Code. Code provision A.2.1 of the CG Code stipulates that the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. Dr. Wang is the chairman of the Board and the chief executive officer. With extensive experience in the pharmaceutical industry and having served in our Company since its establishment, Dr. Wang is in charge of overall strategic planning, business direction and operational management of our Group. Therefore, the Directors consider that the deviation from code provision A.2.1 of the CG Code is appropriate in such circumstance. Notwithstanding from above, the Board is of the view that this management structure is effective for the Group's operations and sufficient checks and balances are in place.

The Group is committed to achieving high standards of corporate governance with a view to safeguarding the interests of the Shareholders as a whole. Save as disclosed above, the Company had complied with the provisions of the CG Code during the year ended December 31, 2021.

THE BOARD OF DIRECTORS

Board composition

As at December 31, 2021, the Board comprised four executive Directors, namely Dr. Yinxiang WANG, Ms. Xiaojie WANG, Ms. Yunyan HU and Dr. Shaojing HU, four non-executive Directors, namely Dr. Ting FENG, Ms. Yanmin TANG, Dr. Dong LYU and Dr. Te-li CHEN, and four independent non-executive Directors, namely Dr. Ruilin SONG, Dr. Ge WU, Dr. Daqing CAI and Dr. Xiaoming WU. The overall management and supervision of the Company's operation and the function of formulating overall business strategies were vested in the Board. There are no financial, business, family or other material relationships among members of the Board.

During the year ended December 31, 2021, the Board had at all times met the requirements of Rules 3.10(1) and (2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise. The four independent non-executive Directors represent more than one-third of the Board, complying with the requirement under Rule 3.10A of the Listing Rules whereby independent non-executive directors of a listed issuer must represent at least one-third of the board. The Board believes there is sufficient independence element in the Board to safeguard the interest of Shareholders.

Each of Dr. Shaojing HU, Dr. Ting FENG and Dr. Xiaoming WU has resigned from their positions as an executive Director, a non-executive Director and an independent non-executive Director, respectively, with effect from March 22, 2022. Please refer to the relevant announcement of the Company dated March 22, 2022 for further details.

Corporate Governance Report

Directors' responsibilities

The Board takes the responsibility to oversee all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, internal control and risk management systems, and monitor the performance of the senior executives. The Directors have to make decisions objectively in the interests of the Company. As at 31 December 2021, the Board comprised twelve Directors, including four executive Directors, four non-executive Directors and four independent non-executive Directors. Their names and biographical details are set out in the "Directors and senior management" section of this annual report.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Board would regularly review the contribution required from each Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing them.

The Company maintains liability insurance for Directors and senior management of the Company with appropriate coverage for certain legal liabilities which may arise in the course of performing their duties.

Delegation by the Board

The management, consisting of executive Directors along with other senior executives, is delegated with responsibilities for implementing the strategy and direction as adopted by the Board from time to time, and conducting the day-to-day management and operations of the Group. Executive Directors and senior executives meet regularly to review the performance of the businesses of the Group as a whole, coordinate overall resources and make financial and operational decisions. The Board also gives clear directions as to their powers of management including circumstances where management should report back and will review the delegation arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

Independent non-executive Directors

The independent non-executive Directors play a significant role in the Board by virtue of their independent judgment and their views carry significant weight in the Board's decision. The functions of independent non-executive Directors include bringing an impartial view and judgment on issues of the Company's strategies, performance and control; and scrutinizing the Company's performance and monitoring performance reporting.

All independent non-executive Directors possess extensive academic, professional and industry expertise and management experience and have made positive contributions to the development of the Company through providing their professional advice to the Board.

All independent non-executive Directors are appointed for a term of three years.

Corporate Governance Report

Confirmation of independence

The independence of the independent non-executive Directors has been assessed in accordance with the applicable Listing Rules and each of the independent non-executive Directors has provided an annual written confirmation of independence to the Company pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors meet the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules and are independent.

Board diversity policy

In order to enhance the effectiveness of our Board and maintain the high standard of corporate governance, we have adopted the board diversity policy, which sets out our objectives and approach to achieve and maintain the diversity of our Board. Pursuant to the board diversity policy, we seek to achieve board diversity through the consideration of a number of factors when selecting the candidates to our Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural, educational background, and other qualities. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board.

During the Reporting Period, our Board comprised twelve members, including four executive Directors, four non-executive Directors and four independent non-executive Directors. Our Directors have a balanced mix of knowledge, skills, perspectives and experience, including overall management and strategic development, business, science, investment, accounting and consulting. They obtained professional and academic qualifications, including business administration, applied physics, biological sciences, chemistry, engineering, and law. Furthermore, our Board possesses members spanning a wide range of ages, from 38 to 67 years old. Taking into account our existing business model and specific needs as well as the different background of our Directors, our Board reviewed and confirmed the implementation and effectiveness of the board diversity policy and is satisfied with the board composition, and our Board and the Nomination Committee of our Company will assess the Board composition regularly.

The Nomination Committee is responsible for reviewing the diversity of our Board 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, including any measurable objectives set for implementing the board diversity policy and the progress on achieving these objectives on an annual basis. In relation to reviewing and assessing the Board composition and the suitability and the potential contribution to the Board of a proposed candidate, the board diversity policy sets a number of non-exhaustive factors, including skills, professional experience, educational background, knowledge, expertise, culture, independence, age and gender. We will also continue to take steps to promote gender diversity at all levels of our Company, including but without limitation at our Board and senior management levels.

Appointment, re-election and removal of Directors

Each of the executive Directors, non-executive Director and independent non-executive Directors has entered into a service contract or a letter of appointment with the Company for an initial term of three years commencing from the Listing Date, subject to renewal after the expiry of the then current term. Such term is subject to his retirement by rotation and re-election at an annual general meeting of the Company in accordance with the Articles of Association. The Articles of Association provide that 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. Any Director so appointed shall hold office only until the next following annual general meeting and shall then be eligible for re-election at such meeting.

Corporate Governance Report

In accordance with the Articles of Association, at each annual general meeting of the Company, one-third of the Directors, for the time being, shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The members of the Company may, at any general meetings convened and held in accordance with the Articles of Association, by ordinary resolution, remove a Director at any time before the expiration of his/her period of office notwithstanding anything to the contrary in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for damages under any such agreement).

Compensation of Directors and Senior Management

The emoluments of the Directors and Senior Management of the Group are decided by the Board with reference to the recommendation given by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

Details of Directors and the top five highest paid individuals are set out in note 32 to the consolidated financial statements. During the Reporting Period, no emoluments were paid by the Group to any Directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. For the year ended December 31, 2021, none of the Directors has waived or agreed to waive any emoluments.

Except as disclosed above, no other payments have been made or are payable for the year ended December 31, 2021, by the Group to or on behalf of any of the Directors.

Directors' training and continuing professional development

Every newly appointed Director has been given a comprehensive, formal and tailored induction on appointment. Subsequently, the Directors will receive updates on the Listing Rules, legal and other regulatory requirements and the latest development of the Group's business and are encouraged to participate in continuous professional development to develop their knowledge and skills.

During the year ended December 31, 2021, the Directors were regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expense.

During the year ended December 31, 2021, each of the Directors has attended the training courses conducted by the legal adviser of the Company. The content of such training related to the duties of directors and ongoing obligations of listed companies.

According to the training records maintained by the Company, the continuing professional development programs had been received by each of the Directors during the year ended December 31, 2021, namely Dr. Yinxiang WANG, Ms. Xiaojie WANG, Dr. Shaojing HU, Ms. Yunyan HU, Dr. Ting FENG, Ms. Yanmin TANG, Dr. Dong LYU, Dr. Te-li CHEN, Dr. Ruilin SONG, Dr. Ge WU, Dr. Daqing CAI and Dr. Xiaoming WU. The professional development programs include attending trainings, seminars or conferences arranged by the Company or other external parties, and reading related materials.

Corporate Governance Report

Board meetings

Code provision A.1.1 of the CG Code (which has been re-numbered as code provision C.5.1 of the CG Code since 1 January 2022) stipulates that Board meetings should be held at least four times a year at approximately quarterly intervals with the active participation of the majority of the Directors, either in person or through electronic means of communications. Apart from regular Board meetings, the Chairman should at least annually hold meeting with the independent non-executive Directors without the presence of other Directors under code provision A.2.7 of the CG Code (which has been re-numbered as C.2.7 of the CG Code since 1 January 2022).

The Company adopts the practice of holding regular Board meetings at least four times a year and approximately once every quarter, involving active participation, either in person or through electronic means of communication, of a majority of Directors. The Company gives not less than 14 days' notice of all regularly scheduled Board meetings to give all Directors an opportunity to attend the regular meetings and to put relevant matters on the agenda. For other Board and committee meetings, reasonable notice will generally be given. The agenda and accompanying Board papers are sent to the Directors or committee members at least three days prior to the meeting to ensure that they have sufficient time to review the documents and prepare adequately for the meeting. When a Director or committee member is unable to attend a meeting, he/she will be informed of the matters to be discussed and will have an opportunity to express his/her views to the Chairman prior to the meeting. Minutes of the meetings are kept by the company secretary of the Company and copies will be sent to all Directors for reference and records.

The attendance record of each Director at the Board and Board committee meetings of the Company held during the year ended December 31, 2021 is set out in the table below:

Name of Directors	Attendance/ Number of Board Meeting(s)	Attendance/ Number of General Meeting(s)
Dr. Yinxiang WANG	4/4	1/1
Ms. Xiaojie WANG	4/4	1/1
Ms. Yunyan HU	4/4	1/1
Dr. Shaojing HU (resigned with effect from March 22, 2022)	4/4	1/1
Dr. Ting FENG (resigned with effect from March 22, 2022)	4/4	1/1
Ms. Yanmin TANG	4/4	1/1
Dr. Dong LYU	4/4	1/1
Dr. Te-li CHEN	4/4	1/1
Dr. Ruilin SONG	4/4	1/1
Dr. Ge WU	4/4	1/1
Dr. Daqing CAI	4/4	1/1
Dr. Xiaoming WU (resigned with effect from March 22, 2022)	4/4	1/1

Corporate Governance Report

BOARD COMMITTEES

The Board has established three committees with specific written terms of reference to oversee particular aspects of the Group's affairs.

Audit Committee

The Company established the Audit Committee in compliance with Rules 3.21 to 3.23 of the Listing Rules with written terms of reference in compliance with the CG Code set forth in Appendix 14 to the Listing Rules. The primary functions of the Audit Committee are to assist our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group, overseeing the audit process, and performing other duties and responsibilities as assigned by our Board.

The Audit Committee consists of one non-executive Director, Dr. Te-li CHEN, and two independent non-executive Directors, Dr. Ge WU and Dr. Daqing CAI, with Dr. Daqing CAI as the chairman. Dr. Ge WU is appropriately qualified under Rules 3.10(2) and 3.21 of the Listing Rules.

The Audit Committee held two meetings during the Reporting Period to review and consider the interim financial results and reports for the six months ended June 30, 2021, the annual financial results and reports for the year ended December 31, 2020 and review the appropriateness and effectiveness of the risk management and internal control systems.

The Audit Committee also met the external auditors twice during the Reporting Period without the presence of the executive Directors and the management.

The attendance records of the members of the Audit Committee are as follows:

Name of Directors	Attendance/ Number of Board Meeting(s)
Dr. Daqing CAI	2/2
Dr. Ge WU	2/2
Dr. Te-li CHEN	2/2

Remuneration Committee

The Company established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules. The primary functions of the Remuneration Committee include, but are not limited to, the following: (i) making recommendations to our Board on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) determining the specific remuneration packages of all Directors and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Board from time to time.

Corporate Governance Report

The Remuneration Committee consists of one executive Director, Ms. Wang, one non-executive Director, Ms. Yanmin TANG, and three independent non-executive Directors, Dr. Ruilin SONG, Dr. Ge WU and Dr. Daqing CAI, with Dr. Ruilin SONG as the chairman.

The Remuneration Committee held two meetings during the Reporting Period to review and make a recommendation to the Board on the remuneration policy and structure of the Company and the remuneration packages of the executive Directors and senior management, the Plan and other related matters.

The attendance records of the members of the Remuneration Committee are as follows:

Name of Directors	Attendance/ Number of Board Meeting(s)
Dr. Ruilin SONG	2/2
Ms. Xiaojie WANG	2/2
Ms. Yanmin TANG	2/2
Dr. Ge WU	2/2
Dr. Daqing CAI	2/2

Nomination Committee

The Company established the Nomination Committee with written terms of reference in compliance with Appendix 14 to the Listing Rules. The primary functions of the Nomination Committee include, without limitation, reviewing the structure, size and composition of our Board, assessing the independence of independent non-executive Directors and making recommendations to our Board on matters relating to the appointment of Directors. In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's gender, skills, age, professional experience, knowledge, culture, educational background and other qualities. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board. The Company has adopted a nomination policy, which is incorporated in the terms of reference of the Nomination Committee and sets out the selection criteria and nomination procedures for identifying and recommending candidates for appointment or reappointment of Director.

As of December 31, 2021, the Nomination Committee consisted of one executive Director, Dr. WANG, one non-executive Director, Dr. Dong LYU, and three independent non-executive Directors, Dr. Ruilin SONG, Dr. Daqing CAI and Dr. Xiaoming WU, with Dr. Wang as the chairman.

Corporate Governance Report

The Nomination Committee held one meeting during the Reporting Period to review, among others, the structure, size, composition and diversity (including the skills, knowledge, experience, gender, age, cultural and educational background, ethnicity, professional experience and length of service) of the Board to ensure that the Board has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company, to assess the independence of the independent non-executive Directors, and to discuss the Directors who retired by rotation in accordance with the Articles of Association, being eligible, had offered themselves for re-election at the 2021 AGM of the Company.

The attendance records of the members of the Nomination Committee are as follows:

Name of Directors	Attendance/ Number of Board Meeting(s)
Dr. Yinxiang WANG	1/1
Dr. Dong LYU	1/1
Dr. Ruilin SONG	1/1
Dr. Daqing CAI	1/1
Dr. Xiaoming WU (resigned with effect from March 22, 2022)	1/1

Since Dr. Xiaoming WU resigned as an independent non-executive Director on March 22, 2022, Dr. Xiaoming WU was no longer a member of the Nomination Committee since March 22, 2022. The Board resolved that Dr. Ge WU, an independent non-executive Director was appointed as a member of the Nomination Committee in place of Dr. Xiaoming WU with effect from March 22, 2022. Currently, the Nomination Committee consists of one executive Director, Dr. Yinxiang WANG, one non-executive Director, Dr. Dong LYU, and three independent non-executive Directors, Dr. Ruilin SONG, Dr. Daqing CAI and Dr. Ge WU, with Dr. Yinxiang WANG as the chairman.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the guidelines for the Directors' dealings in the securities of the Company since the Listing and, upon specific enquiries of all the Directors, each of them has confirmed that he complied with all applicable code provisions under the Model Code for the year ended December 31, 2021.

As required by the Company, relevant officers and employees of the Company are also bound by the Model Code, which prohibits them from dealing in securities of the Company at any time when he/she possesses insider information in relation to those securities. No incident of non-compliance with the Model Code by the relevant officers and employees was noted by the Company.

Corporate Governance Report

REMUNERATION PAYABLE TO SENIOR MANAGEMENT

Pursuant to code provision B.1.5 of the CG Code (which has been re-numbered as code provision E.1.5 of the CG Code since 1 January 2022), the annual remuneration of members of the senior management (other than Directors) by the band for the year ended December 31, 2021, is set out below:

Remuneration band	Number of members of senior management
RMB1,000,001 to RMB2,000,000*	1
RMB10,000,001 to RMB11,000,000	1

Note:

* The remuneration band indicates the annual remuneration of a senior management, who resigned as a Senior Vice President of our Company in the year ended December 31, 2021.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties, including:

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company's compliance with Appendix 14 to the Listing Rules (Corporate Governance Code and Corporate Governance Report).

The Board had performed the above duties during the year ended December 31, 2021.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. 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 Company has an internal audit team responsible for independently reviewing the adequacy and effectiveness of the risk management and internal control systems of the Company.

Corporate Governance Report

The Audit Committee assists the Board at least annually, in reviewing the design, implementation and monitoring of the risk management and internal control systems.

Risk management

The Company has adopted a series of risk management policies which set out a risk management framework to identify, assess, evaluate and monitor key risks associated with the Company's strategic objectives on an on-going basis.

All departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects, including key operational and financial processes, regulatory compliance, information security, and environmental, social and governance. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each department. The management, in coordination with department heads, assessed the likelihood of risk occurrence, provided treatment plans, monitored the risk management progress, and reported to the Audit Committee and the Board on the effectiveness of the systems.

Internal control

The Company ensures internal controls are designed and implemented in all major aspects of the Company's operations and details of internal control activities are included in the operating policies and procedures. Every month, the management revisits the policies and procedures and furnishes updates as necessary.

The Company has an internal audit team in place, which is responsible for independently reviewing the adequacy and effectiveness of the risk management and internal control system of the Company, and reporting the results to the Board. Internal control supervisor of the Company is responsible for coordinating the internal control, sorting out and improving the business process and management mechanism, and carrying out the effectiveness evaluation of internal control. In addition to the internal audit team, all departments are liable for risk management and internal control within their working scope. Each department should cooperate with the internal audit team closely to conduct the internal control and risk management review, report to the management on the important milestone of the business and the strategies established by the Company, and identify, evaluate and manage high risks on time.

The Company has established a general risk management internal control environment. At present, the Company has built an internal control process framework covering capital, revenue and receivables, cost and accounts payable, R&D expenses, long-term assets management, tax, contract management and financial management system and financial report and carry out risk assessment regularly to ensure risk management and internal control being in operation effectively. The internal audit team will issue an annual internal audit management self-evaluation report (the "**Internal Audit Report**") showing the risks detected in the above coverage and submit to the Board for review. The 2021 internal audit report was submitted to the Board on March 18, 2022.

During the year ended December 31, 2021, the Board reviewed the risk management and internal control systems of the Group and considered that such systems are effective and adequate. The Audit Committee has reviewed and considered that internal audit team of the Group had adequate resources to carry out the assessment and the effectiveness of the risk management and internal control systems for the Reporting Period.

Corporate Governance Report

INSIDE INFORMATION

The Company has adopted an inside information policy in accordance with the SFO and the Listing Rules relating to handling and dissemination of inside information. Under this policy, the Company disseminates information the person on a need-to-know basis. Unless the inside information falls within any of the safe harbors as permitted under the SFO, the Company is required to disseminate such information through the electronic publication system operated by the Stock Exchange to the public in a timely manner.

The Board is responsible for monitoring and implementing the procedural requirements in the inside information policy. All Directors, officers and relevant employees are required to take reasonable precautions for preserving the confidentiality of inside information and the relevant announcement (if applicable) before publication. If the Group believes that the necessary degree of confidentiality cannot be maintained, the Group will immediately disclose the information to the public as soon as reasonably practicable.

WHISTLEBLOWING AND ANTI-CORRUPTION

The Company has adopted an anti-corruption policy to create a clean and efficient working atmosphere, strengthen the awareness of self-discipline, improve the concept of legal system and regulate the behaviors of all employees. All the business activities including official activities, procurement, financial and accounting and daily office work are governed by the policy. The Audit Committee and each of the department head are responsible for monitoring and implementing the policy. Every year, the Audit Committee assesses the effectiveness and suitability of the anti-corruption policy and reported to the Board. The results of the implementation of the policy will be regarded as part of the annual evaluation of all the employees.

The Company has also set up a reporting hotline for the employees to report any suspicious activities with their real names or anonymously. The chief executive officer of the Company shall conduct a special investigation within one week to verify the information provided by the informant. Upon verification, the corresponding reward and punishment measures shall be imposed on the informant and the person being reported in accordance with the whistleblowing policy. The person being reported shall not strike the informant and, upon discovery, shall be dismissed.

Please refer to the Environmental, Social and Governance Report of this annual report for further details on the Company's whistleblowing and anti-corruption policies and updates.

FINANCIAL REPORTING

Directors' responsibility 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 remuneration

For the year ended December 31, 2021, the remunerations paid or payable to PricewaterhouseCoopers, the external auditor of the Company, in respect of its audit services and non-audit services are approximately RMB2.48 million and nil, respectively. A statement by PricewaterhouseCoopers about their reporting responsibilities for the financial statements is included in the Independent Auditors' Report on pages 101 to 104.

Corporate Governance Report

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

Services rendered for the Company	Fees paid and payable *RMB'000*
Audit service	2,480
Non-audit service	nil
Total	2,480

JOINT COMPANY SECRETARIES

Directors have access to the services of the joint company secretary to ensure that the board procedures are followed. The current joint company secretaries of the Company are Ms. Qing Xue ("**Ms. Xue**") and Mr. Lok Kwan Yim ("**Mr. Yim**"). Starting from March 26, 2021, Ms. Ching Man Yeung ceased to be one of our joint company secretaries, and Mr. Yim replaced Ms. Yeung as the joint company secretary of the Company with effect from March 26, 2021.

After the aforesaid change of joint company secretary, Ms. Xue and Mr. Yim continued to act as the joint company secretaries of the Company. Mr. Yim has the necessary qualifications and experience as required under Rules 3.28 and 8.17 of the Listing Rules. Mr. Yim is the manager of SWCS Corporate Services Group (Hong Kong) Limited.

In compliance with Rule 3.29 of the Listing Rules, Ms. Xue and Mr. Yim have undertaken no less than 15 hours of relevant professional training during the year of 2021. The main contact person of Mr. Yim in the Company is Ms. Xue.

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting

Pursuant to Article 64 of the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of 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 having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two calendar months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting forward proposals at general meetings

There are no provisions under the Articles of Association regarding procedures for shareholders to put forward proposals at general meetings other than a proposal of a person for election as Director. Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

Corporate Governance Report

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.jacobiopharma.com.

Enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the joint company secretary of the Company at the Company's principal place of business in Hong Kong at 40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong. The Company will not normally deal with verbal or anonymous enquiries.

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

To promote effective communication, the Company maintains a website at www.jacobiopharma.com, where information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access. During the Reporting Period, the Board has reviewed the shareholders communication policy and confirmed its effectiveness.

CHANGES IN CONSTITUTIONAL DOCUMENTS

During the Reporting Period, there is no change in the Company's constitutional documents.

Environmental, Social and Governance Report

I. ABOUT THE REPORT

1. Overview

This environmental, social and governance report (hereinafter "this Report") is aimed at disclosing the performance and results in respect of environmental, social and governance (hereinafter "ESG") of Jacobio Pharmaceuticals Group Co., Ltd. (hereinafter "Jacobio" "the Company", or "we") in 2021. The contents relating to governance is advised to be read in conjunction with the *Corporate Governance Report* in this annual report.

2. Basis of Preparation

This Report is prepared in accordance with *Environmental, Social and Governance Reporting Guide* (hereinafter "*ESG Reporting Guide*") set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, and is reported in accordance with the reporting principles of the *ESG Reporting Guide*.

"**Materiality**": Key stakeholders and key ESG issues of concern have been identified in the preparation of this Report, and targeted disclosure according to the materiality degree of issues.

"**Quantitative**": This Report uses quantitative data to present KPIs at the environmental and social aspects. The measurement standards, methodologies, assumptions and/or calculation tools of the key performance indicators in this Report, as well as the source of the conversion factors used, have been explained in the corresponding context.

"**Consistency**": The statistical methods used in this Report is consistent with those used in the 2020 *Environmental, Social and Governance Report*.

"**Balance**": The ESG Report faithfully presents our environmental and social performance.

3. Reporting Scope

Our main business is in China, and our offices and laboratories are located in Beijing, Shanghai, China and Massachusetts, USA. Unless otherwise stated, the scope of this Report covers the offices and laboratories of Jacobio Pharmaceuticals Group Co., Ltd. in China and the United States. This Report covers the period from 1 January 2021 to 31 December 2021.

4. Data Source

The information and cases in this Report are mainly derived from the Company's public information, statistical reports, related documents and internal communication documents.

Environmental, Social and Governance Report

II. BOARD STATEMENT

The Board and all directors guarantee that the information in this Report does not contain any false records, misleading statements or material omissions, and make the following statements regarding the ESG supervision and management of the Board:

Governance Structure	The Board is the top responsible and decision-making body of ESG issues. The Company has set up an ESG governance structure, with the Board for leadership and supervision, ESG task force for daily management and ESG relevant departments for implementation. For detailed information about the Company's governance structure, please refer to the *ESG Governance Structure* section in this Report.
Management Policy and Strategy	The Company strictly abides by laws and regulations in respect of ESG in operation, incorporates ESG management in its strategy and communicates with stakeholders through various channels. During the reporting period, we assessed the materiality of ESG issues that key stakeholders concerned based on our business characteristics and industry development environment in the form of questionnaire survey and adopted constructive opinions and suggestions to continuously respond to key issues. For detailed information about the Company's management policy and strategy, please refer to the *ESG Concept* and *Identification of Key Issues* sections in this Report.
Performance Review	The Company has developed environmental targets to better review and manage its ESG impacts and will update and amend the related targets in accordance with the progress of environmental management in a timely and properly manner, to fully implement environmental protection measures. For detailed information about the Company's performance review, please refer to the *Environmental Target Setting* section in this Report.

In 2021, the Board reviewed the optimisation of ESG governance structure, identification of key ESG issues and ESG target setting, to enhance the ESG management of the Company and clarified the key directions of ESG focuses.

This Report is aimed at objectively disclosing the Company's progress and results of 2021 ESG work. It was reviewed and approved at the Board meeting on 22 March 2022.

Environmental, Social and Governance Report

III. ESG MANAGEMENT SYSTEM

1. ESG Concept

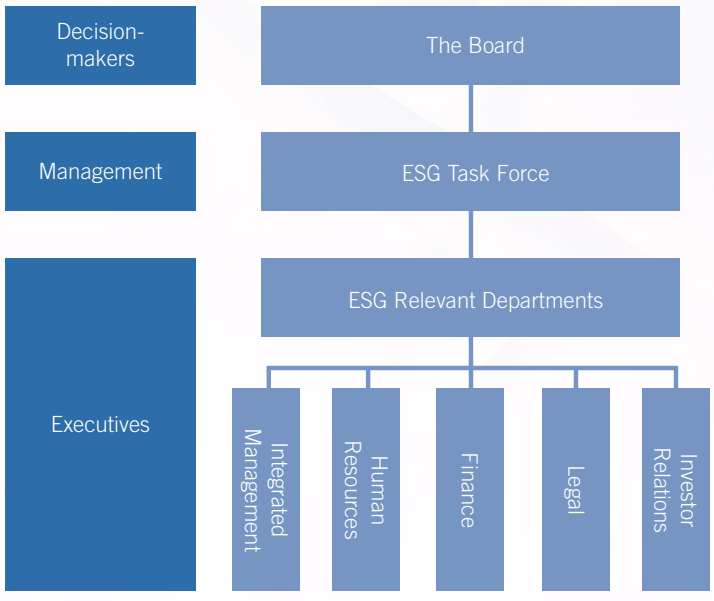
As a new pharmaceutical research and development company, we are committed to providing breakthrough treatment solutions for our patients with the vision of "Becoming a global leader recognised for our impact in drug R&D together with our partners". We strictly abide by laws and regulations in respect of ESG in operation, incorporate ESG management in its strategy, periodically disclose ESG information, act on stakeholders' expectations, and proactively fulfill corporate social responsibilities while protecting the interests of shareholders and investors.

This year, we continued to implement ESG concept in our daily operation and management, actively carried out energy saving and emission reduction measures, paid close attention to climate change, and strived to minimise the potential negative impact of business operations on the environment. Moreover, we devoted ourselves to protecting rights and interests of employees, establishing a sustainable value chain, and reinforcing clear responsibilities and incorruptible management to promote the sustainable development of ourselves and our society.

2. ESG Governance Structure

To strengthen ESG management and implement the concept of sustainable development, the Company established a three-tier management structure with the Board for decision-making, ESG task force for management and ESG relevant departments for implementation. As the decision-makers for ESG work, the Board is responsible for setting ESG strategies and targets and reviewing ESG performance on a regular basis; the ESG task force, as the primary liability department for managing ESG-related issues, assists the Board to carry out the implementation of ESG strategies and targets; each ESG relevant department, as the executive level, is responsible for taking specific steps to ensure the full implementation of ESG work and management.

ESG Management Structure



Environmental, Social and Governance Report

3. Stakeholder Engagement

We actively listen to and respond to the demands of our stakeholders. By communicating with stakeholders through a variety of channels, we collect the expectations and demands of stakeholders as an important reference for the planning of the Company's ESG work and management. This year, based on the characteristics of our business and industrial experience, we identified below our key stakeholders and learned about key ESG issues of their concerns:

Key stakeholders	Key ESG issues of concern	Main communication channels
Governments and regulatory authorities	Employment Supply chain management Product responsibility Anti-corruption Community investment	Policy consultations Incident reporting Information disclosure Official correspondence
Shareholders and investors	Employment Product responsibility Anti-corruption	Shareholders' meetings Results announcement Semi-annual and annual reports Announcements of significant events Online and offline communications Company website

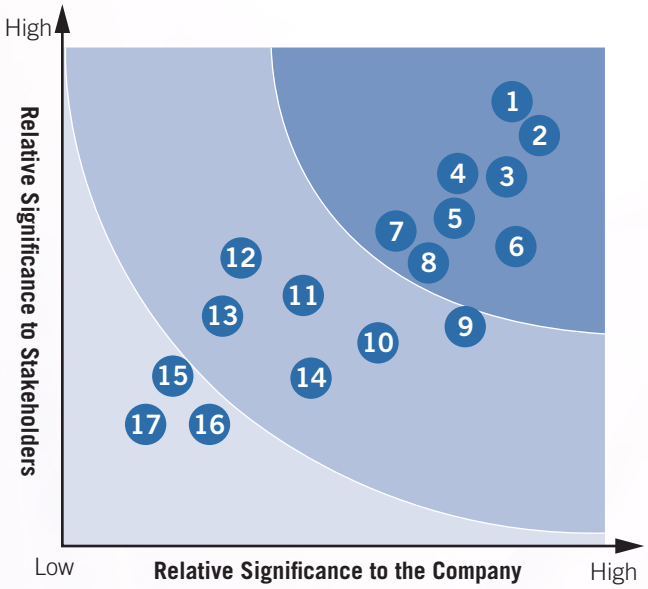
Environmental, Social and Governance Report

Key stakeholders	Key ESG issues of concern	Main communication channels
Employees	Employment Health and safety Development and training Labour standards	Employee performance appraisal and feedback Employee internal communication meetings Corporate internal announcements and emails Employee activities Jacobio's WeChat Official Account
Customers	Product responsibility Anti-corruption	Information disclosure Daily business communication
Suppliers	Supply chain management Anti-corruption	Supplier inspection Regular communication meetings with suppliers
Media and non-governmental organisations	Emissions Use of resources Environmental and natural resources Employment Supply chain management Product responsibility	Press conferences News interviews Advertising Social media Industry seminar
Communities	Community investment	Community engagement and communication Identification of community demands

Environmental, Social and Governance Report

4. Identification of Key Issues

Based on 12 disclosure aspects identified in the *ESG Reporting Guide*, we assess the materiality of ESG issues key stakeholders concerned based on our business characteristics and industry development environment in the form of questionnaire survey. According to the questionnaire feedbacks, we identified the ESG issues highly concerned by stakeholders, including product quality safety, trade secrets and intellectual property, innovative R&D platforms, clinical trial safety, privacy and information security, employment and employee rights, anti-corruption, branding and advertising.



High Importance	Moderate Importance	General Importance
1 Product Quality Safety	9 Employee Health and Safety	15 Community Investment
2 Trade Secrets and Intellectual Property	10 Employee Career Development	16 Labour Standards
3 Innovative R&D Platforms	11 Energy Resource Use	17 The Environment and Natural Resources
4 Clinical Trial Safety	12 Climate Change	
5 Privacy and Information Security	13 Emissions Management	
6 Employment and Employee Rights	14 Supply Chain Management	
7 Anti-corruption		
8 Branding and Advertising		

Matrix Diagram of Key ESG Issues

Environmental, Social and Governance Report

IV. GREEN OPERATION

The Company actively responds to the national call for environmental protection and the development of low-carbon economy, continues to practice the concept of green operation and integrates the environmental protection into daily operation. We optimise emission management, implement energy-saving and environmental protection measures, and strive to create an environment-friendly society in strict accordance with relevant laws and regulations such as the *Environmental Protection Law of the People's Republic of China, the Energy Conservation Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Waste, the Water Pollution Prevention and Control Law of the People's Republic of China, and the Atmospheric Pollution Prevention and Control Law of the People's Republic of China*.

1. Use of Resources

The main resource consumptions of the Company's daily operations, including electricity, water and office paper. To develop the energy-saving work, we have reinforced the use of resources, constantly improved the efficiency of resource use and advocated the concept of green office, energy conservation and environmental protection.

For electricity management, the Company always keeps in mind the electricity saving concept and takes various measures to improve the energy efficiency. In 2021, we developed the *Rules for Power Distribution Management*, in which the maintenance schedule of power distribution system is introduced. Moreover, we highlight power safety management, periodically conduct routine internal inspections on the lighting system in office areas, and advocate employees to turn off unnecessary electricity facilities after work. We source electrical equipment with low energy consumption and high efficiency and unify the use of LED energy-saving lights to replace high energy-consuming lights. The air conditioning, new air, as well as the air exhaust systems all use variable frequency control functions to improve energy efficiency.

For water management, to reduce the use of water resources, we have installed water-saving taps to control water velocity and enhanced daily inspection and maintenance of water facilities including water taps, water pipes and reservoir. In addition, we have also raised employee's awareness of water-saving and water wasting.

Additionally, we encourage employees to reduce the use in office supplies, vigorously advocate a paperless, online and green office, and take a reasonable control of office paper collection and use. We ask employees to print on both sides whenever possible to reduce unnecessary printing needs and avoid paper waste.

Environmental, Social and Governance Report

2. Reduction of Pollutant Emissions

The Company has formulated *Regulations for Prevention and Control of Air Pollution, Management Regulations on the Prevention and Control of Environmental Pollution by Solid Waste* and other regulations, striving to strengthen the management of emissions in daily life and minimise impacts of business operation on environment and pollutant emissions.

Our major pollutant emissions are greenhouse gases (GHG) and laboratory emissions, of which GHG mainly comes from the fuel consumed by vehicles and purchased electricity in the business operation of the Company, while the laboratory emissions come from the relevant operations in the process of experiment. We consistently take a variety of energy-saving measures which effectively reduce indirect GHG emissions generated in electricity consumption. As to laboratory emissions, we regularly test the exhaust treatment devices and emission outlets and replace activated carbon filter layers in a timely manner to ensure treatment and discharging of laboratory emissions in compliance with regulations.

The Company's wastewater produced mainly includes experimental waste liquid, domestic sewage, etc. The experimental waste liquid is relatively a small amount and non-toxic, and it is collected and processed by qualified third parties. Domestic sewage is discharged into the municipal network in accordance with the local requirements after unified treatment in septic tank. Furthermore, we entrust a third-party organisation to detect the wastewater and ensure that the wastewater is in line with national standards. We continue to reinforce control over wastewater that may be generated from R&D and production activities to reduce the amount of wastewater generated as much as possible.

Non-hazardous wastes generated by the Company mainly consists of domestic waste and daily office waste. We classify and recycle those wastes and raise employees' awareness of recycling and garbage classification. Non-hazardous waste with recycling values will be handled by qualified suppliers or recyclers, and other non-hazardous waste will be handled by the property management company.

The hazardous wastes involved in the Company mainly include medical wastes such as waste chemical reagents, needle tubes, waste medication, experimental animals and their gaskets and hazardous waste consumables such as ink and toner cartridges. Hazardous wastes are classified, collected, pre-treated, and temporarily stored according to its types at first, and then recycled and disposed uniformly by a qualified third party or supplier in line with regulations.

Environmental, Social and Governance Report

3. Environmental Target Setting

In 2021, the Company strengthens environmental management and sets relevant environmental targets to further review and manage the ESG impacts. The specific targets are set as follows:

Emission reduction	By the end of 2023, all laboratory emissions will be subject to bio-safety treatment according to the requirement of 10% above the national emission standard.
	By the end of 2060, the Company will achieve carbon neutrality in all of its operations in China.
Waste reduction	By the end of 2023, the Company's employees will use direct drinking water to replace bottled water.
	By the end of 2025, the Company will fully promote a paperless office and reduce paper use per capita to 50% compared to 2020.
Energy saving	By the end of 2023, the Company will have 100% of LED lights installed in all operating locations.
	By the end of 2023, more than 80% of the newly purchased instruments and equipment of the Company will meet the national first-level energy efficiency standard or above.
Water saving	By the end of 2023, all laboratories of the Company will be 100% equipped with water-saving equipment.
	By the end of 2023, 50% of the wastewater generated from the purified water production process in all laboratories of the Company will be recycled.
Others	By the end of 2023, 100% of the Company's office paper will be procured with Forest Stewardship Council (FSC) certified paper.
	By the end of 2024, all of the Company's offices will pass the ISO 14001 environmental management certification.

Environmental, Social and Governance Report

4. Environmental Key Performance Indicators

In 2021, the environmental KPIs of the Company are listed below. Unless otherwise stated, the scope of environmental statistics covers the Company's operation locations in Beijing and Shanghai, China and Massachusetts, the United States.

Key Performance Indicators for Energy and Resource Consumption[1]

Indicator	2021
Total energy consumption[2] (MWh)	1,208.28
Direct energy consumption (MWh)	
Including: Petrol	43.42
Indirect energy consumption (MWh)	
Including: Electricity	1,164.86
Energy consumption per capita (MWh per employee)	4.65
Energy consumption per square meter (MWh/m^2)	0.15
Total water consumption (tonnes)[3]	2,251.00
Water consumption per capita (tonnes per employee)	9.54
Water consumption per square meter (tonnes/m^2)	0.29

Note:

(1) During the reporting period, we have not yet commercialized our products, and hence no product packaging has been used.

(2) Total energy consumption is calculated based on direct and indirect energy consumption according to the conversion factors listed in the *National Standards of the People's Republic of China General Principles for Calculation of the Comprehensive Energy Consumption* (GB/T 2589-2020). During the reporting period, the main operation was daily office and laboratory operation, and the energy consumption mainly included vehicle fuel and electricity. Due to business development needs and the setting of Shanghai office in 2021, the overall figures of total energy consumption, total water consumption and total GHG emission have increased from the previous year.

(3) Except for our operation location in Beijing, water consumption in other operation location is controlled by the property management company in the location, and water expenses are included in the property management fee. Water consumption cannot be calculated separately. Therefore, total water consumption and intensity of water consumption during this reporting period are only the data of the operation locations in Beijing. Since the water resources used by the Company are from municipal water supply, we do not have any problem in obtaining suitable water resources.

Environmental, Social and Governance Report

Key Performance Indicators for Emissions[1]

Indicator	2021
Total GHG emissions[2] (Scope 1 and Scope 2)[3] (tonnes)	830.44
Direct GHG emissions (Scope 1) (tonnes)	
Including: Petrol	11.11
Indirect GHG emissions (Scope 2) (tonnes)	
Including: Electricity	819.33
GHG emissions per capita (tonnes per employee)	3.19
GHG emissions per square meter (tonnes/m^2)	0.10
Total hazardous waste discharges (tonnes)	62.34
Hazardous waste per capita (tonnes per employee)	0.24
Hazardous waste per square meter (tonnes/m^2)	0.008
Total non-hazardous waste discharges (tonnes)[4]	25.70
Non-hazardous waste per capita (tonnes per employee)	0.10
Non-hazardous waste per square meter (tonnes/m^2)	0.003
Non-methane hydrocarbon (tonnes)	0.01
Particulate matters (tonnes)	0.005
Total ammonia emissions (tonnes)	0.003
Wastewater (tonnes)[5]	1,913.35
Total chemical oxygen demand (tonnes)	1.04
Ammonia and nitrogen (tonnes)	0.007

Note:

(1) The Company has a small number of its owned vehicles, thus the emissions of nitrogen oxides, sulfur oxides and other exhaust emissions generated are relatively small. Based on the Company's business characteristics and the results of third-party inspection reports, the types of main exhaust emissions involved in the Company are non-methane total hydrocarbon, particulate matter and ammonia.

(2) Jacobio's GHG inventory includes carbon dioxide, methane and nitrous oxide. GHG emissions are presented in carbon dioxide equivalents and calculated based on the electricity emission factor in the *2019 Baseline Emission Factors for Regional Power Grids in China* issued by the Ministry of Ecology and Environment of the People's Republic of China, the *Emissions and Generation Resource Integrated Database in 2020 (eGRID)* issued by the United States Environmental Protection Agency and the *2006 IPCC Guidelines for National Greenhouse Gas Inventories (2019 Revision)* issued by the Intergovernmental Panel on Climate Change (IPCC).

Environmental, Social and Governance Report

(3) Scope 1 GHG covers GHG emissions directly generated from the businesses owned or controlled by the Company; Scope 2 GHG covers "indirect energy" GHG emissions from the Company's internal consumption (purchased or obtained).

(4) Non-hazardous waste mainly comes from domestic waste and electronic waste. Domestic waste is treated by the property management company, which cannot be calculated separately. We have estimated the domestic waste data in accordance with the *First National Census on Pollution Sources – Manual for Waste Generation and Discharge Coefficients in Urban Households* issued by the State Council of the People's Republic of China. As the total amount of non-hazardous waste generated by Jacobio's operating sites outside China was relatively small, it was not included in this statistical scope. The total amount of non-hazardous waste emissions and the per capita amount of non-hazardous waste only included those in China.

(5) We estimated the amount of wastewater in accordance with the *First National Census on Pollution Sources – Manual for Industrial Pollution Sources* issued by the State Council of the People's Republic of China.

5. The Environment and Natural Resources

Since the Company has not involved in large-scale commercial production activities, there is no significant impact from our operation on the environment and natural resources. As the Company continues to expand its business scales, we will continue to pay close attention to and carefully consider the environmental and resource issues to avoid any negative impacts on the environment. In addition, we will advocate the culture of conservation and promote the concept of environmental protection to minimise negative impacts on environment and natural resources.

6. Response to Climate Change

Climate change has become a global challenge. We are deeply aware of the importance of climate change and take the initiative to implement the green concept in daily operation to actively respond to climate change.

In 2021, we have assessed and identified the possible impacts of extreme weather events such as typhoon, rainstorm and snowstorm on our business operations and have developed an *Environmental Emergency Plan*. In order to minimise extreme weather's damages to our business operation and employee health, we analyse the possible consequences of climate change-related risks such as extreme weather, make early warnings and guidance for employees' safety in travel and work under extreme weather. The Company will continue to study the possible impacts and opportunities of climate change on our business operations, develop a climate change response system, and formulate relevant response measures in a timely manner, so as to make preparations for risks and opportunities brought by climate change.

Environmental, Social and Governance Report

V. TALENT AND EMPLOYEE MANAGEMENT

Jacobio strictly abides by laws and regulations such as the *Labour Law of the People's Republic of China*, the *Labour Contract Law of the People's Republic of China*, the *Social Insurance Law of the People's Republic of China*, the *Law of the People's Republic of China on the Protection of Women's Rights and Interests*, and the *Special Rules on the Labour Protection of Female Employees* on labour employment. We devote ourselves to establishing a sound talents management system, retaining diversified talents, providing employee benefits, establishing transparent and efficient employee performance and communication mechanism, creating fair, healthy and comfortable working environment for our employees, and achieving a mutual development between employees and the Company.

1. Employment and Labour Standards

We established the *Employee Handbook* to standardise recruitment and termination, compensation and benefits, development and promotion, working hours and leave entitlements, etc., to fully make employees' rights and obligations clear. We conduct open, equal, and merit-based recruitment. We devote ourselves to create a diversified work environment and never treat any candidates differently based on their ethnicity, race, age, gender, marital status and religious beliefs. We sign labour contracts with employees in accordance with laws and regulations and formulate a standard process for decruitment and contract termination, of which related terms are listed in the labour contracts.

We firmly prohibit child and forced labour. To reduce the risk of child and forced labour, we fully consider the ability and willingness of employees, define a threshold age in the employment conditions and check the age and other relevant information of new employees. Based on our business characteristics, we face a low risk of and have never allowed the illegal behaviour of child and forced labour. Nevertheless, we are still developing relevant regulations to improve our employment management. If we discover any child and forced labour, we will terminate the employment contract immediately, investigate the incident, and discipline relevant personnel based on the investigation results.

As of 31 December 2021, the Company had 260 employees in total.

Environmental, Social and Governance Report

Key Performance Indicators for Employment

Indicator		As of 31 December 2021
Total number of employees (person)		260
By gender (person)	Male	104
	Female	156
By employment type (person)	Full-time	260
	Part-time	0
By age (person)	Aged 30 and below	64
	Aged 31 to 50	182
	Aged 50 and above	14
By region (person)	Mainland China	245
	Hong Kong, Macao and Taiwan	0
	Outside China	15

Key Performance Indicators for Employee Turnover Rate

Indicator		As of 31 December 2021
Employee turnover rate (%)		19.30%
By gender (%)	Male	22.8%
	Female	16.7%
By age (%)	Aged 30 and below	22.0%
	Aged 31 to 50	17.8%
	Aged 50 and above	25.0%
By region (%)	Mainland China	18.9%
	Hong Kong, Macao, and Taiwan	0.0%
	Outside China	25.0%

Environmental, Social and Governance Report

1.1 Employee Salary and Benefits

We have a competitive salary and a fair, open and reasonable career path. We provide reasonable employee compensations that include basic salary, commissions, year-end bonus and project-based bonus, and provide equity incentives for some employees.

In addition, we offer a variety of benefits to employees, including social insurances and housing fund, commercial insurance, supplementary medical insurance, annual physical examinations, birthday benefits and holiday gifts. The labour union will also carry out "heart-warming" activities to give gifts and subsidies to employees under special circumstances such as marriage, childbirth, illness and hospitalisation.

1.2 Working Hours and Holidays

All job positions are implemented with standard working hours in Jacobio. An attendance system has been established to supervise employee working hours. We give employees the right to work overtime and take leave in lieu, arrange work reasonably and encourage them to balance work and life. Except for statutory leaves, we provide paid annual leave based on employees' work experience and the length of service with the Company additionally. Moreover, we cater paid maternity leave and other related leave benefits for female employees, while male employees are entitled to paid paternity leave as well.

1.3 Internal Communication Mechanisms

We are committed to building a platform for equal communication with our employees and keep abreast of their opinions, suggestions and demands in a timely manner through multiple communication channels.

We carry out routine employee engagement during the period of performance appraisal, ensuring each employee understand their annual performance and career development in Jacobio. We also list various communication channels, and each employee can engage via internal office system, WeChat official account, internal email, etc. We have established a communication mechanism with employees led by the Human Resources Department. Through face-to-face communication and department regular meetings, the Human Resources Department learn about demands from each employee by communicating with responsible person of department and have their demands properly addressed.

Environmental, Social and Governance Report

1.4 Employee Activities

We organised various employee activities to enhance team cohesion, enrich employees' leisure life and improve employees' sense of well-being. In 2021, we continued to carry out activities such as labour union, team building and team development, and organised employees to celebrate traditional festivals together to improve the relationships among employees.

Jacobio actively organised team building activities

Environmental, Social and Governance Report

2. Health and Safety

Jacobio pays attention to the health and safety of our employees. In strict compliance with relevant laws and regulations and industry standards, including the *Work Safety Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases*, the *Law of the People's Republic of China on Prevention and Treatment of Infectious Diseases*, the *Technical Specifications for Occupational Health Surveillance* and the *Regulation on Work-Related Injury Insurance*, we have formulated a series of management systems, including the *Management Manual of Production Safety*, the *Hazardous Chemicals Management System*, the *Laboratory Personal Safety Protection*, the *Use and Maintenance of Instrument Equipment in Synthetic Rooms*, etc. and special emergency plans, including the *Special Plan for Fire Accidents, the Special Plan for Hazardous Chemicals Accidents*, etc. Additionally, we established a dedicated environmental, health and safety management teams and health committees in China and the United States, respectively, to conduct and supervise environmental, health and safety management, and ensure the occupational health and safety of employees. At operating sites in the United States, we also introduced management systems and regulations such as the *Chemical Hygiene Plan (CHP), the Emergency Action Plan (EAP),* the *Biosafety Manual and Exposure Control Plan (BSM-ECP)* to realise operation safety on all fronts.

We continued to carry out a series of occupational health and safety management work, including occupational health and safety assessments, occupational health and safety training, and special equipment management, to further safeguard employees' health and safety. This year, we took the initiative of "Occupational Hazards Surveillance" and formulated the *EHS Management Regulations in the Workplace* to identify and assess key risk areas and risk factors in all of our workplaces and office environment.

We highly value the health of employees who are exposed to high occupational health risk, and provide them with pre-employment, in-service and pre-departure occupational health examinations and necessary personal protective equipment (PPE). We also have remedial measures in place to provide timely job adjustments for employees once occupational health problems were noticed.

Furthermore, we focus on safety culture and provide regular training to all employees on production safety, fire prevention, and occupational health, and organise examinations to ensure that all employees can obtain necessary occupational health knowledge and skills for their positions. We also provide educational trainings on environment, health and safety at the level of company, department and team/group for new joiners to help them have a better understanding of our safety regulations.

Environmental, Social and Governance Report

This year, under the context of repeating COVID-19 epidemic, we paid constant attention to national and local regulations on epidemic prevention and strictly observed the local prevention requirements, including monitoring body temperature of employees while entering and exiting the workplace, conducting ventilation and disinfection of the workplace on a regular basis and encouraging employees to get vaccinated against COVID-19 so as to protect employees' health and safety. For employees who travel through risk areas or have fever symptoms during the epidemic, we flexibly adjust their attendance requirements, allow employees to work from home, and keep in full compliance with local nucleic acid testing requirements and quarantine policies to contribute to epidemic prevention and control.

Key Performance Indicators for Health and Safety

Indicator	2019	2020	2021
Total number of work-related fatalities (person)	0	0	0
Rate of work-related fatalities (%)	0	0	0
Lost days due to work injury (day)	0	0	0

3. Training and Development

Jacobio is committed to providing training and development opportunities to help employees enhance their professional qualities and management capabilities. Our *Employee Handbook* specifies relevant policies for employees' training and development. Employees can apply for training resources in a targeted manner through various training courses organised by the Company or each department with consideration to their own demands for work and personal development. As such, we can see a joint development and growth scenario that employees are able to realise self-improvement and we can enhance our core competitiveness accordingly.

We have established a dual development path for employees with equal emphasis on technical promotion and administrative promotion to ensure that employees have at least one opportunity for promotion each year. In 2021, we continued to improve our performance evaluation mechanism based on employees' personal business achievement and their competency. Specifically, we conducted periodic performance appraisal and evaluation through employees' self-assessment, direct superior rating, indirect superior approval, etc. We carried out a trial run of "Performance Appraisal System" in the Clinical Medicine Department. We set performance targets and assessment contents for employees according to their job positions and reviewed performance fulfilment in stages to help employees adjust their performance targets in a timely manner. Furthermore, we also conducted annual performance appraisal at the end of the year to enhance their capabilities.

Environmental, Social and Governance Report

We continued to improve our employee training and development system and provided various internal and external training programmes and career development resources for employees to encourage them to obtain relevant qualifications. In our internal training programmes, we conducted new employee training, professional training for each department, as well as middle and senior management training through case study and lectures to enhance employees' awareness of corporate culture, system, safety compliance and intellectual property protection. Additionally, we also provided various external trainings and industry networking opportunities for employees to keep our employees abreast of the latest scientific research developments and cutting-edge technical knowledge, to enhance their professional competence. In 2021, our employees participated in a regulatory guidance seminar held by the Centre for Drug Evaluation of National Medical Products Administration, which raised employees' initiative awareness of understanding relevant national pharmaceutical regulations.

Case:

"Journal Club" is an internal monthly academic exchange conference organised by Jacobio's core R&D team. During the conference, the R&D team takes turns to present the latest topical academic papers and cutting-edge developments in turn and discusses with scientists from each department over academic advancements in the pharmaceutical industry. As part of our internal seminars, we have successfully established a learning sharing mechanism to encourage communication between departments and employees.

Journal Club Seminar

Environmental, Social and Governance Report

Key Performance Indicators for Employee Trainings

Indicator		2021
Average training hours per employee (hour)		9.8
Average training hours per employee by gender (hour)	Male	12.0
	Female	8.4
Average training hours per employee by management level (hour)	Senior management	9.4
	Middle management	11.7
	Staff	9.4
Percentage of employees trained by gender (%)	Male	66.3%
	Female	65.4%
Percentage of employees trained by management level (%)	Senior management	100.0%
	Middle management	80.0%
	Staff	59.9%

VI. RESPONSIBLE OPERATION

Jacobio believes that responsible operation is the cornerstone of the stable development of the enterprise. This year, we continued to strengthen quality management, protect intellectual properties rights, safeguard information and privacy of patients, and uphold the principle of responsible operation. While safeguarding our own rights, interests and protecting trade secrets, we insisted on timely and complete information disclosure to enhance corporate transparency, establish a responsible corporate image, continue to build a compliant business environment, and strive to achieve sustainable development.

1. Product Responsibility

Jacobio has been committed to the mission and philosophy of "providing compelling innovations and creating a pipeline of life-changing medicines for patients worldwide", staying true to take product responsibility as its foundation of sustainable development, practising product warranty, expanding innovative R&D platforms, protecting customers' rights and interests, and satisfying customers' needs.

Environmental, Social and Governance Report

1.1 Enhancing Quality Management

Jacobio strictly complies with relevant laws and regulations such as the *Pharmaceutical Administration Law of the People's Republic of China*, the *Regulations for Implementation of the Drug Administration Law of the People's Republic of China*, the *Drug Registration Administration Measures*, the *Good Clinical Practice (GCP)*, the *Good Laboratory Practice (GLP)*, the *Good Manufacturing Practice (GMP)*, the *Good Pharmacovigilance Practice* and the *International Multicentre Clinical Trial Guidelines (Trail)*. Our laboratories in the United States also comply with the provision regarding clinical research of new pharmaceutical products and protection of clinical trial subjects in the *Code of Federal Regulations* (21 CFR) issued by the Food and Drug Administration (FDA) and the *Good Laboratory Practice (GLP)*. Under the background of our business development, this will be the ground for the constant improvement of our existing quality management system.

The Company has a dedicated quality management department responsible for quality control related to new pharmaceutical research and development. In 2021, we formulated the *Management Procedure for Overtemperature of Clinical Trials,* the *Management Procedure for Material and Sample Destruction,* the *Comparison Product Management Procedures,* the *Change Management Procedures* and other relevant standard operating procedures (SOPs), and revised the *Investigational Product Management* and other relevant systems, to regulate the storage, use and disposal of pharmaceutical products in terms of preliminary R&D and planning, project optimisation and clinical trial safety so as to further ensure the quality and safety of pharmaceutical products.

In addition, we periodically carry out quality supervision and management on material suppliers, contract research organisations (CROs) and other partners (hereinafter collectively referred to as "the partners"), and engage qualified third party organisations to supervise and inspect production site management and design and operation of quality system modules of contract development and manufacturing organisations (CDMOs) to fully implement high-standard quality control requirements.

In accordance with management systems such as the *Experimental Record Management* and the *Documentation Management Procedures*, the quality management department also conducts random inspections and audits on all experimental records. The inspections and feedback are also implemented in force for effective SOPs, completion of records and the improvement of the quality system of each department to ensure the validity and traceability of the Company's experimental records and relevant documents.

Environmental, Social and Governance Report

1.2 Complaints, Products Tracking and Recalls

As of the end of the reporting period, the Company's products had not yet entered the stage of commercialization and were involved in no customer complaints, but we still highly valued the establishment of a customer complaint, pharmaceutical products tracking and product recall management system. We have formulated an emergency plan for medicine adverse responses under the requirements of relevant laws and regulations such as the *Pharmaceutical Administration Law of the People's Republic of China* and the *Law of the People's Republic of China on the Protection of Consumer* Rights and Interests. The Company defines adverse effects of medicines in advance, including severe and unexpected conditions. In the event of any severe conditions, the clinical trial centre (hospital) will immediately report the case to the Company within 24 hours in accordance with relevant laws and regulations so that patients can be treated in time, and the Pharmacovigilance Department will conduct evaluation and review regarding these cases to further safeguard patients' safety.

In the case that a certain batch of or all of the experimental products need to be recalled for safety or stability reasons, we will immediately verify the delivery records, confirm the affected trail centres, coordinate recalls in a timely manner, and analyse related root causes. Clinical products that have potential safety hazards or do not meet the standards will be discarded altogether.

During the reporting period, we did not receive any customer complaints, nor there were any products recalled.

1.3 Protection of Intellectual Properties

As a new pharmaceutical research and development enterprise, Jacobio has deeply realised the importance of intellectual properties for our business development. We strictly comply with laws and regulations such as the *Patent Law of the People's Republic of China,* the *Trademark Law of the People's Republic of China, the Copyright Law of the People's Republic of China* and the *Anti-Unfair Competition Law of the People's Republic of China* and has formulated institutional documents and management measures such as the *Management Measures for In-service Invention and Creation*, the *Agreement on the Confidentiality and Ownership of Intellectual Property*, the *Patent Transfer Agreement* and the *Secret Information Registration Form* within the Company to effectively manage and protect patents, trademark rights, copyrights, trade secrets and other intellectual properties, and protect our brand reputation and competitive edges.

Environmental, Social and Governance Report

The Company continues to improve the intellectual property management procedures and makes timely adjustments in accordance with changes in relevant laws and regulations so that the risk awareness of intellectual properties is practised throughout the entire process of product development. We regularly retrieve intellectual property information for relevant analysis to protect and defend our own intellectual property while respecting the intellectual property of others. For new R&D programmes, we will initiate anti-infringement retrieval and analysis in moment of programme establishment, identify risks from time to time and submit priority patent applications in a timely manner to comprehensively protect intellectual properties for the new R&D programmes.

To clarify the ownership of intellectual properties, we actively identify major risks within intellectual property management in each business segment, and for agreements and arrangements involving intellectual properties and data interests in contracts are reviewed and confirmed by specialists from the Company's Intellectual Property Department. We have prepared the *Background Check on Intellectual Property Rights for New Employees*. During the background check on new employees, we will learn about the ownership of intellectual property rights by candidates and proactively identify the non-competition agreements entered into by candidates with other companies to improve compliance management of in-service inventions.

In addition, we regularly provide trainings about "business confidentiality and in-service invention" and carry out seminars to employees, sharing the developments of intellectual property laws and regulations and related cases to enhance employees' awareness of intellectual property protection. We conduct intellectual property compliance trainings for all R&D personnel to enhance their awareness of intellectual property risk controls.

As of 31 December 2021, we had 172 patents or patent applications covering major pharmaceutical markets around the world, of which 30 patents had been granted (including those granted but to be announced). Moreover, we had 14 copyrights and 21 trademark rights.

During the reporting period, we are not aware of any material intellectual property infringement that has had a significant impact on the Company.

1.4 Standardising Advertising and Publicity and Label Management

During the reporting period, we have not yet commercialized our products, so we have not advertised our products to the public. However, we had identified relevant requirements on pharmaceutical product advertisement in the laws and regulations such as the *Advertising Law of the People's Republic of China,* the *Trademark Law of the People's Republic of China* and the *Measures for the Examination of Drug Advertisements*, and improved our management of advertising and publicity accordingly and strengthened label management in preparing for the commercialization of products in advance, and to actively protect our intangible property and avoid false publicity, misleading advertising or product descriptions.

Environmental, Social and Governance Report

2. Information Security and Privacy Protection

Jacobio focuses on information security and patient privacy protection during the R&D of new medicines. We strictly comply with the requirements of the *Good Clinical Practice (GCP),* the *Guidelines for Electronic Data Acquisition Technology in Clinical Trials* and other regulations. Based on the *ICH Good Clinical Practice (ICH GCP)* and other international standards, we use the reliable Electronic Data Capture System (EDC) for clinical trials to manage data in a unified manner. We have entered into a confidentiality agreement related to data processing with EDC vendors to enhance patients' privacy protection and safeguard their legitimate rights and interests.

To ensure information security, we have developed several internal management policies such as the *Jacobio Information Security Management Measures*, the *Regulations on t Machine Room Security Management*, the *Jacobio's System on Data Confidentiality and Data Backup,* and the *File Room Management* to further safeguard network security by establishing the Intranet, firewall and applying encryption. To cultivate employees' awareness of information security, we have set restrictions on employees' access rights by means of permission control so that employees can only have time-sensitive access to specific materials or systems by applying to relevant departments and obtaining relevant approvals. We have also conducted special audits on information security on a regular basis and promoted the establishment of information security management system to improve the reliability, stability, and security of our systems.

This year, we continued to take various measures to strengthen the management of patient privacy protection:

- We entered into confidentiality agreements with all employees, related suppliers and partners involved in confidential information, and urging each employee, manager, related party, or external technical consultant to fulfil their confidentiality obligations.

- We reinforced the publicity of information security and privacy protection and encouraged relevant employees to learn the new version of the *Good Clinical Practice (GCP)*, through which they could obtain a training certificate from state-level regulatory institutions or associations.

- We included a "Privacy Protection" section to the research plan, which stipulated that "it is researchers' responsibility to protect the privacy of trial subjects, and the initiators only have access to trail documents with subject number". Inspectors are accessible to patients' personal information in the data kept by the hospital in accordance with the GCP, but not to take any documents with such information out of the hospital. Inspectors are required to strictly abide by relevant laws and regulations, and ensure a proper recording, handling, and preservation of clinical trial data to avoid information leakage.

Environmental, Social and Governance Report

- Our clinical research is reviewed by the Medical Ethics Committee and completed by the cooperative clinical trial centre (hospital), sample testing units, CROs and other partners. Partners except for clinical trial centre (hospital) do not have access to any subject's private information other than data necessary for the study. To safeguard personal privacy, we only collect necessary data for clinical research, and will desensitise the medical data.

- We require our partners to conduct clinical trials following the GCP's requirements in clinical trial subjects' privacy protection, and sign confidentiality agreements with us. We closely monitor and manage the clinical trial process thereof to effectively protect patients' privacy.

During the reporting period, we did not have any significant information leakage, theft or loss of customer and trial subject information.

3. Supply Chain Management

Jacobio has always adhered to the procurement principle of "fairness, justice and openness", continuously strengthened supplier management and has established a suite of policies such as the *Supplier Management System*, and the *Goods Procurement Management System*, which strictly standardise the Company's procurement procedures and supplier access, evaluation and daily management. Jacobio is committed to establishing long-term and stable business relationship with our suppliers to achieve win-win cooperation.

3.1 Supplier Access and Selection

The Company strictly implements policies on the supplier access, evaluation and withdrawal and regularly evaluates supplier compliance. The Company has established an inquiry team, which is composed by the request department, Supplier Management Department and Risk Control and Internal Audit Department to conduct on-site inspection, screening, and investigation to potential suppliers with reference to background investigation and qualification audits on suppliers in terms of suppliers' production capacity, quality, service quality, honesty and compliance operation, sustainable development performance and other factors, while considering their ability and performance in environment and society to regulate supplier access management.

At the inspection stage, we identify the environmental and social risks possibly associated with suppliers. Suppliers are required to meet both procurement quality and business requirements and have no major violations or dishonest behaviours before being included in Jacobio's supplier candidate list.

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At the bidding stage, we need to make the best selection among suppliers with excellent comprehensive abilities after comparing prices among three similar suppliers. In case of single-source procurement for special requirements of the department or any other situation that is unable to make comparative prices among three suppliers, a justification must be specified during the approval process, after which the single-source procurements can be implemented. Under the same conditions, priority will be given to suppliers that meet national regulations on environmental protection and use environmental protection products. In 2021, there were 288 suppliers who had passed the Company's access review.

3.2 Daily Supplier Management

We have established a database of qualified suppliers, which maintains the records of supplier admission, approval and other processes through the Office Automation System (OA system) and updates the information of qualified suppliers in the system promptly, and the *Supplier Registration Ledger* to ensure the supplier information is recorded timely and accurately.

Based on the *Supplier Evaluation Form*, we assess and evaluate the suppliers from diverse dimensions of quality, cost and service delivery every year. Suppliers are managed on a hierarchical basis based on the evaluation results, with different policies of rewards and penalties are applied. For suppliers whose evaluation results are below the standard, we will communicate with them in a timely manner and assist them to make rectifications. However, for those running against the laws and regulations, presenting material quality problems or potential safety and environmental hazards and in non-compliance of commercial ethics, we will cease the cooperation immediately and eliminate unqualified suppliers in a timely manner.

Key Performance Indicators for Supply Chain Management

Indicator		As of 31 December 2021
By geographical region (number)	Mainland China	1,071
	Hong Kong, Macao, and Taiwan	6
	Outside China	104

Environmental, Social and Governance Report

VII. ANTI-CORRUPTION

Jacobio strictly abides by commercial ethics in its development and stringently complies with the *Company Law of the People's Republic of China,* the *Anti-Money Laundering Law of the People's Republic of China,* the *Anti-Unfair Competition Law of the People's Republic of China* and other relevant laws and regulations. Jacobio maintains zero-tolerance against corruption or bribery, extortion, fraud and money laundering, resolutely resists commercial corruption, and aims to promote the corporate culture featuring honesty and integrity and create a non-corrupt atmosphere to ensure compliance.

The Company requires directors and all employees to strictly comply with the ethical standards of integrity and honesty, the details of which are specified in the *Employee Handbook*. In 2021, we conducted regular anti-corruption trainings, including a 60-minute special training for all directors. We also provided anti-corruption training to all new employees to strengthen the integrity education. In terms of procurement and external cooperation, we continued to focus on major risk areas such as large purchases, signed integrity agreements with all suppliers, standardised procurement-related processes to strictly prevent commercial bribery and corruption incidents from occurring.

We have set up a special hotline to encourage employees, suppliers and business partners to proactively report corruption and other illegal events through real names or anonymously, and have developed whistle-blower protection regulations to keep their information and report contents confidential to ensure that the problems reflected by whistleblowers are properly handled.

During the reporting period, the Company was not engaged in any major illegal events or litigation relating to corruption, bribery, extortion, fraud and money laundering.

Key Performance Indicators for Anti-corruption

Indicator	2021
Number of concluded legal cases regarding corrupt practices (case)	0
Number of directors participating in anti-corruption training (person)	12
Number of employees participating in anti-corruption training (person)	100

Environmental, Social and Governance Report

VIII. COMMUNITY INVESTMENT

As a responsible corporate entity, we place emphasis on and actively practice our corporate social responsibility. Committed to maintaining communication and interaction with the community, we participate in community investment activities to deeply understand and identify community needs and contribute to society.

In 2021, our focuses and practices in community investment were reflected in supporting the construction of public welfare and the development of education. We donated RMB50,000 to the Beijing Yicheng Cooperation Development Foundation to support the development of public welfare in the Beijing economic and technological development area. Besides, we engaged in sound exchanges with GCP Centre of Cancer Hospital Chinese Academy of Medical Sciences, which deepened our cooperation, and supported students thereof in conducting clinical research to cultivate high-quality talents in clinical research and development. In 2021, our employees participated in a total of 50 hours of educational-type support activities.

We believe that with the expansion of our business scale and improvement of visibility, we will actively make use of our own platform and social influence to understand thoroughly the major needs and concerns of the community, strengthen school-enterprise cooperation, provide practical opportunities for more outstanding students and graduates, and organise valuable and influential volunteer and charitable activities to contribute to society and demonstrate our corporate responsibility.

Environmental, Social and Governance Report

APPENDIX: ESG REPORTING GUIDE INDEX TABLE

Key Performance Indicators	Correspondent Chapters
Mandatory Disclosure Requirements	
Governance Structure: A statement from the board containing the following elements: (i) a disclosure of the board's oversight of ESG issues; (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 (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.	Board Statement
A description of, or an explanation on, the application of the Reporting Principles (Materiality, Quantitative and Consistency) in the preparation of the ESG report.	About the Report
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.	About the Report
"Comply or Explain" Provisions	
A. Environmental	
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.	Reduction of Pollutant Emissions
KPI A1.1 The types of emissions and respective emissions data.	Environmental Key Performance Indicators
KPI A1.2 Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and, where appropriate, intensity.	Environmental Key Performance Indicators

Environmental, Social and Governance Report

Key Performance Indicators	Correspondent Chapters
KPI A1.3 Total hazardous waste produced and, where appropriate, intensity	Environmental Key Performance Indicators
KPI A1.4 Total non-hazardous waste produced and, where appropriate, intensity.	Environmental Key Performance Indicators
KPI A1.5 Description of emission target(s) set and step taken to achieve them	Reduction of Pollutant Emissions, Environmental Target Setting
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.	Reduction of Pollutant Emissions, Environmental Target Setting
A2 Use of Resources	
General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	Use of Resources
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).	Environmental Key Performance Indicators
KPI A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environmental Key Performance Indicators
KPI A2.3 Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of Resources, Environmental Target Setting
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.	Use of Resources, Environmental Target Setting, Environmental Key Performance Indicators
KPI A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Environmental Key Performance Indicators

Environmental, Social and Governance Report

Key Performance Indicators	Correspondent Chapters
A3 The Environment and Natural Resources	
General Disclosure Policies on minimising the issuer's significant impacts on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources
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.	Response to Climate Change
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.	Response to Climate Change
B. Social	
B1 Employment and Labour Practices	
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.	Employment and Labour Standards
KPI B1.1 Total workforce by gender, employment type (for example, full – or parttime), age group and geographical region.	Employment and Labour Standards
KPI B1.2 Employee turnover rate by gender, age group and geographical region.	Employment and Labour Standards

Environmental, Social and Governance Report

Key Performance Indicators	Correspondent Chapters
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.	Health and Safety
KPI B2.1 Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and Safety
KPI B2.2 Lost days due to work injury.	Health and Safety
KPI B2.3 Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety
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.	Training and Development
KPI B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Training and Development
KPI B3.2 The average training hours completed per employee by gender and employee category.	Training and Development
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.	Employment and Labour Standards
KPI B4.1 Description of measures to review employment practices to avoid child and forced labour.	Employment and Labour Standards
KPI B4.2 Description of steps taken to eliminate such practices when discovered.	Employment and Labour Standards

Environmental, Social and Governance Report

Key Performance Indicators	Correspondent Chapters
B5 Supply Chain Management	
General Disclosure Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1 Number of suppliers by geographical region.	Supply Chain Management
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.	Supply Chain Management
KPI B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management
KPI B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management
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.	Standardising Advertising and Publicity and Label Management
KPI B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not Applicable
KPI B6.2 Number of products and service related complaints received and how they are dealt with.	Complaints, Product Tracking and Recalls
KPI B6.3 Description of practices relating to observing and protecting intellectual property rights.	Protection of Intellectual Properties
KPI B6.4 Description of quality assurance process and recall procedures.	Enhancing Quality Management
KPI B6.5 Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Information Security and Privacy Protection

Environmental, Social and Governance Report

Key Performance Indicators	Correspondent Chapters
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.	Anti-corruption
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.	Anti-corruption
KPI B7.2 Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption
KPI B7.3 Description of anti-corruption training provided to directors and staff.	Anti-corruption
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.	Community Investment
KPI B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
KPI B8.2 Resources contributed (e.g. money or time) to the focus area.	Community Investment

Directors' Report

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company, and its subsidiaries are principally engaged in the in-house discovery and development of innovative oncology therapies. An analysis of the Group's revenue and operating results for the year ended December 31, 2021, by its principal activities is set out in note 5 to the consolidated financial statements of the Group on page 138 of this annual report.

BUSINESS REVIEW

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

- its financial position;
- its ability to obtain additional financing to fund its operations;
- its ability to develop and commercialize its drug candidates, all of which are in pre-clinical or clinical development;
- its ability to identify additional drug candidates;
- its success in demonstrating safety and efficacy of its drug candidates to the satisfaction of regulatory authorities or produce positive results in its clinical trials;
- material aspects of the research, development, and commercialization of pharmaceutical products being heavily regulated;
- lengthy, time-consuming, and inherently unpredictable regulatory approval processes of the regulatory authorities for its drug candidates;
- competition in the pharmaceutical industry where the Group serves; and
- its ability to obtain and maintain patent protection for its drug candidate.

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.

Directors' Report

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to the community, and achieving sustainable growth. A discussion on the Group's environmental policies and performance is set out in section headed "Environmental, Social and Governance Report" of this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

FINANCIAL RESULTS

The results of the Group for the year ended December 31, 2021, are set out in the section headed "Chairman's Statement" of this annual report and the consolidated statement of loss and consolidated statement of comprehensive loss on pages 105 to 106 of this annual report.

DIVIDEND POLICY AND FINAL DIVIDEND

Subject to the laws of the Cayman Islands and the Articles of Association, the Company may in general meeting declare dividends in any currency but no dividends shall exceed the amount recommended by the Board, and no dividends will be declared or payable except out of the profits and reserves of the Company lawfully available for distribution including share premium. We do not currently have an expected dividend payout ratio. The determination to pay dividends will be made at the discretion of the Board and will be based upon our cash flow, financial condition, capital requirements, and any other conditions that our Directors deem relevant.

The Board did not recommend the payment of the final dividend for the year ended December 31, 2021 (December 31, 2020: NIL).

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting ("**AGM**") of the Company is scheduled to be held on Wednesday, June 8, 2022. A notice convening the AGM will be published and dispatched to the Shareholders of the Company in the manner required by the Listing Rules in due course. In order to determine the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, June 2, 2022 to Wednesday, June 8, 2022, both days inclusive, during which period no transfer of shares will be registered. All transfer documents of the Company accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, June 1, 2022.

Directors' Report

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2021, the Group's five largest suppliers accounted for 51.1%, as compared to 41.9% of the Group's total purchases for the year ended December 31, 2020. The Group's single largest supplier accounted for 13.9% for the year ended December 31, 2021, as compared to 12.0% of the Group's total purchases for the year ended December 31, 2020.

During the year ended December 31, 2021, none of the Directors or any of their close associates or any Shareholders (which, to the knowledge of the Directors, own more than 5% of total issued Shares of the Company) had any interest in the Group's five largest suppliers.

During the year ended December 31, 2021, the Group derived all of its revenues from the collaboration with AbbVie. None of the Directors, their respective close associates, or any Shareholder of the Company who, to the knowledge of the Directors, owns more than 5% of the Company's issued share capital, has any interest in the Group's customer.

PROPERTY, PLANT, AND EQUIPMENT

Details of movements in property, plant, and equipment of the Company and the Group during the year ended December 31, 2021, are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year ended December 31, 2021, and details of the Shares issued during the year ended December 31, 2021, are set out in note 25 to the consolidated financial statements.

RESERVES

Details of the movement in the reserves of the Group and of the Company during the year ended December 31, 2021, are set out on page 108 in the consolidated statement of changes in shareholders' equity and note 26 to the consolidated financial statements.

DEBENTURE ISSUED

The Group did not issue any debenture during the year ended December 31, 2021.

FINANCIAL STATEMENTS

The results of the Group for the year ended December 31, 2021, and the state of the Group's financial position as at that date are set out in the consolidated financial statements on pages 105 to 168 of this annual report.

Directors' Report

DIRECTORS

The Directors during the year ended December 31, 2021 and up to the date of this annual report were:

Name of director	Position
Dr. Yinxiang WANG *(Chairman)*	Executive Director
Ms. Xiaojie WANG	Executive Director
Ms. Yunyan HU	Executive Director
Dr. Shaojing HU (resigned with effect from March 22, 2022)	Executive Director
Dr. Ting FENG (resigned with effect from March 22, 2022)	Non-executive Director
Ms. Yanmin TANG	Non-executive Director
Dr. Dong LYU	Non-executive Director
Dr. Te-li CHEN	Non-executive Director
Dr. Ruilin SONG	Independent non-executive Director
Dr. Ge WU	Independent non-executive Director
Dr. Daqing CAI	Independent non-executive Director
Dr. Xiaoming WU (resigned with effect from March 22, 2022)	Independent non-executive Director

Note: Each of Dr. Shaojing HU, Dr. Ting FENG and Dr. Xiaoming WU has resigned from their positions as an executive Director, a non-executive Director and an independent non-executive Director, respectively, with effect from March 22, 2022. Such resignations are due to their intentions to pursue other personal affairs. Please refer to the relevant announcement of the Company dated March 22, 2022 for further details.

Details of the Directors are set out in the section headed "Directors and Senior Management" on pages 31 to 39 of this annual report.

In accordance with the Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office. Accordingly, Ms. Yunyan HU, Dr. Te-li CHEN and Dr. Ge WU shall retire from office by rotation at the 2022 AGM and, being eligible, offer themselves for re-election. The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years with effect from the Listing Date which may be terminated by not less than 30 days' notice in writing served by either party on the other and is subject to termination provisions therein.

The non-executive Director has signed a letter of appointment with the Company for an initial term of three years with effect from the Listing Date or until the third annual general meeting after the Listing Date (whichever date is earlier). The term of office may be terminated 30 days in advance by either party in writing.

Each of the independent non-executive Directors has signed a letter of appointment with the Company for an initial term of three years with effect from the Listing Date or until the third annual general meeting after the Listing Date (whichever date is earlier). The term of office may be terminated 30 days in advance by either party in writing. The above appointments are always subject to the provisions of retirement and rotation of directors under the Articles of Association.

Directors' Report

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

On August 31, 2021, the Company entered into a share purchase agreement with Hebecell, pursuant to which the Company has agreed to purchase and subscribe, and Hebecell has agreed to allot and issue, 1,321,257 series A preferred shares of Hebecell with the consideration of US$25,000,000, which represents approximately 19.74% of the issued share capital of Hebecell on a fully-diluted and as converted basis upon completion of the closings of the share purchase agreement. Certain other investors to the share purchase agreement are associates of the executive Directors, namely Dr. Yinxiang WANG, Ms. Xiaojie WANG and Ms. Yunyan HU, respectively. For more details, please refer to the Company's announcement dated August 31, 2021 in relation to the purchase of series A preferred shares in Hebecell.

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

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance was entered into among the Company or any of its subsidiaries and the Controlling Shareholders or any of their subsidiaries, whether for the provision of services or otherwise, during the year ended December 31, 2021.

Directors' Report

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

As at December 31, 2021, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO), which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or which were otherwise required, to be notified to the Company and the Stock Exchange pursuant to the Model Code, are set out below:

Interests in Shares of the Company

Name of Director	Nature of Interest	Number of Shares[1]	Approximate percentage of shareholding[2]
Dr. Yinxiang WANG ("**Dr. Wang**")	Interest in controlled corporation; interest held jointly with another person	271,122,975[3]	35.14%
Ms. Xiaojie WANG ("**Ms. Wang**")	Interest in controlled corporation; interest held jointly with another person	271,122,975[4]	35.14%
Dr. Shaojing HU ("**Dr. Hu**") (resigned with effect from March 22, 2022)	Interest in controlled corporation; interest held jointly with another person	271,122,975[5]	35.14%
Ms. Yunyan HU ("**Ms. Hu**")	Interest in controlled corporation; interest held jointly with another person	271,122,975[6]	35.14%

Notes:

1. All interests stated are long positions in the Shares.

2. The calculation is based on the total number of 771,462,180 Shares in issue as at December 31, 2021.

3. The entire share capital of each of Dr. Wang's SPV 1 and Dr. Wang's SPV 2 is directly owned by Dr. Wang and indirectly wholly owned by Dr. Wang and Ms. Zhu Shen, the spouse of Dr. Wang, respectively, and the voting rights of the Shares held by Willgenpharma Ltd and Honourpharma Ltd which are intended to be used for employee incentive purposes are exercisable by Dr. Wang. Accordingly, Dr. Wang is deemed to be interested in such number of Shares held by Dr. Wang's SPV 1, Dr. Wang's SPV 2 and Willgenpharma Ltd and Honourpharma Ltd. Dr. Wang is also deemed to be interested in all Shares held by Wordspharma Ltd, a company wholly-owned by Ms. Zhu Shen as Ms. Zhu Shen is the spouse of Dr. Wang. In addition, each of Dr. Wang, Dr. Wang's SPV 1, Dr. Wang's SPV 2, Willgenpharma Ltd, and Honourpharma Ltd is also deemed to be interested in all Shares held by Ms. Wang, Ms. Wang's SPV, Gloryviewpharma Ltd, Blesspharma Ltd, Dr. Hu, Dr. Hu's SPV, Ms. Hu and Ms. Hu's SPV as they are parties acting in concert.

4. The entire share capital of Ms. Wang's SPV is directly owned by Ms. Wang, and the voting rights of the Share held by Gloryviewpharma Ltd and Blesspharma Ltd which are intended to be used for employee incentive purposes are exercisable by Ms. Wang. Accordingly, Ms. Wang is deemed to be interested the Shares held by Ms. Wang's SPV, Gloryviewpharma Ltd and Blesspharma Ltd. In addition, each of Ms. Wang, Ms. Wang's SPV, Gloryviewpharma Ltd, Blesspharma Ltd is deemed to be interested in all Shares held by Dr. Wang, Dr. Wang's SPV 1, Dr. Wang's SPV 2, Willgenpharma Ltd, Honourpharma Ltd, Dr. Hu, Dr. Hu's SPV, Ms. Hu and Ms. Hu's SPV as they are parties acting in concert.

5. The entire share capital of Dr. Hu's SPV is directly owned by Dr. Hu. Accordingly, Dr. Hu is deemed to be interested in the Shares held by Dr. Hu's SPV. In addition, each of Dr. Hu and Dr. Hu's SPV is deemed to be interested in all Shares held by Dr. Wang, Dr. Wang's SPV 1, Dr. Wang's SPV 2, Willgenpharma Ltd, Honourpharma Ltd, Ms. Wang, Ms. Wang's SPV, Gloryviewpharma Ltd, Blesspharma Ltd, Ms. Hu and Ms. Hu's SPV as they are parties acting in concert.

Directors' Report

6. The entire share capital of Ms. Hu's SPV is wholly owned by Ms. Hu. Accordingly, Ms. Hu is deemed to be interested in such a number of Shares held by Ms. Hu's SPV. In addition, each of Ms. Hu and Ms. Hu's SPV is deemed to be interested in all Shares held by Dr. Wang, Dr. Wang's SPV 1, Dr. Wang's SPV 2, Willgenpharma Ltd, Honourpharma Ltd, Ms. Wang, Ms. Wang's SPV, Gloryviewpharma Ltd, Blesspharma Ltd, Dr. Hu and Dr. Hu's SPV as they are parties acting in concert.

Save as disclosed above, as at December 31, 2021, none of the Directors and chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations, recorded in the register required to be kept under section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to the Company, as at December 31, 2021, as recorded in the register required to be kept by the Company under section 336 of the SFO, the following persons, had an interest of 5% or more in the Shares or underlying Shares:

Name of Shareholder	Nature of Interest	Number of Shares[1]	Approximate percentage of shareholding[2]
Dr. Wang[3]	Interest in controlled corporation; interest held jointly with another person	271,122,975	35.14%
Dr. Wang's SPV 1[3]	Beneficial interest; interest held jointly with another person	271,122,975	35.14%
Dr. Wang's SPV 2[3]	Beneficial interest; interest held jointly with another person	271,122,975	35.14%
Willgenpharma Ltd[3]	Beneficial interest; interest held jointly with another person	271,122,975	35.14%
Honourpharma Ltd[3]	Beneficial interest; interest held jointly with another person	271,122,975	35.14%
Ms. Zhu Shen[4]	Interest of spouse	271,122,975	35.14%
Ms. Wang[5]	Interest in controlled corporation; interest held jointly with another person	271,122,975	35.14%
Ms. Wang's SPV[5]	Beneficial interest; interest held jointly with another person	271,122,975	35.14%
Gloryviewpharma Ltd[5]	Beneficial interest; interest held jointly with another person	271,122,975	35.14%
Blesspharma Ltd[5]	Beneficial interest; interest held jointly with another person	271,122,975	35.14%
Mr. Ze Liu[6]	Interest of spouse	271,122,975	35.14%
Dr. Hu[7]	Interest in controlled corporation; interest held jointly with another person	271,122,975	35.14%
Dr. Hu's SPV[7]	Beneficial interest; interest held jointly with another person	271,122,975	35.14%
Ms. Xiaohong Zhang[8]	Interest of spouse	271,122,975	35.14%
Ms. Hu[9]	Interest in controlled corporation; interest held jointly with another person	271,122,975	35.14%
Ms. Hu's SPV[9]	Beneficial interest; interest held jointly with another person	271,122,975	35.14%
BioEngine Capital Holding Limited[10]	Beneficial interest	87,557,000	11.35%
BioEngine Capital Inc.[10]	Interest in controlled corporation	87,557,000	11.35%
Center Laboratories, Inc.[10]	Interest in controlled corporation	98,508,890	12.80%
LAV Coda Limited[11]	Beneficial interest	42,134,075	5.46%

Directors' Report

Name of Shareholder	Nature of Interest	Number of Shares[1]	Approximate percentage of shareholding[2]
LAV Biosciences Fund IV, L.P.[11]	Interest in controlled corporation	42,134,075	5.46%
LAV GP IV, L.P.[11]	Interest in controlled corporation	42,134,075	5.46%
LAV Corporate IV GP, Ltd.[11]	Interest in controlled corporation	42,134,075	5.46%
Mr. Yi Shi[11]	Interest in controlled corporation	51,282,225	6.65%
Qiming Venture Partners VI, L.P.[12]	Beneficial interest	48,305,740	6.26%
Qiming Corporate GP V, Ltd[12]	Interest in controlled corporation	32,222,000	4.18%
Qiming Corporate GP VI, Ltd[12]	Interest in controlled corporation	49,605,555	6.43%
HH SPR-III Holdings Limited[13]	Beneficial interest	56,861,110	7.37%
Hillhouse Capital Management Ltd.[13]	Interest in controlled corporation	56,861,110	7.37%

Notes:

1. All interests stated are long positions.

2. The calculation is based on the total number of 771,462,180 Shares in issue as at December 31, 2021.

3. The entire share capital of each of Dr. Wang's SPV 1 and Dr. Wang's SPV 2 is directly owned by Dr. Wang and indirectly wholly owned by Dr. Wang and Ms. Zhu Shen, the spouse of Dr. Wang, respectively, and the voting rights of the Shares held by Willgenpharma Ltd and Honourpharma Ltd which are intended to be used for employee incentive purposes are exercisable by Dr. Wang. Accordingly, Dr. Wang is deemed to be interested in such number of Shares held by Dr. Wang's SPV 1, Dr. Wang's SPV 2 and Willgenpharma Ltd and Honourpharma Ltd. Dr. Wang is also deemed to be interested in all Shares held by Wordspharma Ltd, a company wholly-owned by Ms. Zhu Shen as Ms. Zhu Shen is the spouse of Dr. Wang. In addition, each of Dr. Wang, Dr. Wang's SPV 1, Dr. Wang's SPV 2, Willgenpharma Ltd, and Honourpharma Ltd is also deemed to be interested in all Shares held by Ms. Wang, Ms. Wang's SPV, Gloryviewpharma Ltd, Blesspharma Ltd, Dr. Hu, Dr. Hu's SPV, Ms. Hu and Ms. Hu's SPV as they are parties acting in concert.

4. The entire share capital of Wordspharma Ltd is wholly owned by Ms. Zhu Shen. Accordingly, Ms. Zhu Shen is deemed to be interested in such a number of Shares held by Wordspharma Ltd. In addition, Ms. Zhu Shen is the spouse of Dr. Wang. Accordingly, Ms. Shen Zhu is also deemed to be interested in the Shares in which Dr. Wang is interested.

5. The entire share capital of Ms. Wang's SPV is directly owned by Ms. Wang, and the voting rights of the Share held by Gloryviewpharma Ltd and Blesspharma Ltd which are intended to be used for employee incentive purposes are exercisable by Ms. Wang. Accordingly, Ms. Wang is deemed to be interested the Shares held by Ms. Wang's SPV, Gloryviewpharma Ltd and Blesspharma Ltd. In addition, each of Ms. Wang, Ms. Wang's SPV, Gloryviewpharma Ltd, Blesspharma Ltd is deemed to be interested in all Shares held by Dr. Wang, Dr. Wang's SPV 1, Dr. Wang's SPV 2, Willgenpharma Ltd, Honourpharma Ltd, Dr. Hu, Dr. Hu's SPV, Ms. Hu and Ms. Hu's SPV as they are parties acting in concert.

6. Mr. Ze Liu is the spouse of Ms. Wang. Accordingly, Mr. Ze Liu is deemed to be interested in the Shares in which Ms. Wang is interested.

7. The entire share capital of Dr. Hu's SPV is directly owned by Dr. Hu. Accordingly, Dr. Hu is deemed to be interested in the Shares held by Dr. Hu's SPV. In addition, each of Dr. Hu and Dr. Hu's SPV is deemed to be interested in all Shares held by Dr. Wang, Dr. Wang's SPV 1, Dr. Wang's SPV 2, Willgenpharma Ltd, Honourpharma Ltd, Ms. Wang, Ms. Wang's SPV, Gloryviewpharma Ltd, Blesspharma Ltd, Ms. Hu and Ms. Hu's SPV as they are parties acting in concert.

Directors' Report

8. Ms. Xiaohong Zhang is the spouse of Dr. Hu. Accordingly, Ms. Xiaohong Zhang is deemed to be interested in the Shares in which Dr. Hu is interested.

9. The entire share capital of Ms. Hu's SPV is wholly owned by Ms. Hu. Accordingly, Ms. Hu is deemed to be interested in such a number of Shares held by Ms. Hu's SPV. In addition, each of Ms. Hu and Ms. Hu's SPV is deemed to be interested in all Shares held by Dr. Wang, Dr. Wang's SPV 1, Dr. Wang's SPV 2, Willgenpharma Ltd, Honourpharma Ltd, Ms. Wang, Ms. Wang's SPV, Gloryviewpharma Ltd, Blesspharma Ltd, Dr. Hu and Dr. Hu's SPV as they are parties acting in concert.

10. To the best of our Director's knowledge, BioEngine Capital Holding Limited is a directly wholly owned subsidiary of BioEngine Capital Inc. and an indirectly non-wholly owned subsidiary of Center Laboratories, Inc. Accordingly, BioEngine Capital Inc. and Center Laboratories, Inc. are deemed to be interested in the Shares in which BioEngine Capital Holding Limited is interested. In addition, since Center Laboratories, Inc. is interested in 33.23% of the interests in Fangyuan, Center Laboratories, Inc. is also deemed to be interested in the Shares held by Fangyuan Growth SPC – PCJ Healthcare Fund SP.

11. To the best of our Director's knowledge, LAV Coda Limited is wholly owned by LAV Biosciences Fund IV, L.P., a Cayman exempted limited partnership fund. The general partner of LAV Biosciences Fund IV, L.P. is LAV GP IV, L.P., whose general partner is LAV Corporate IV GP, Ltd., a Cayman company owned by Mr. Yi Shi. Therefore, under the SFO, each of LAV Biosciences Fund IV, L.P., LAV GP IV, L.P., LAV Corporate IV GP, Ltd. and Mr. Yi Shi is deemed to be interested in the Shares held by LAV Coda Limited. To the best of our Director's knowledge, the general partner of LAV Biosciences Fund V, L.P. is LAV GP V, L.P., whose general partner is LAV Corporate V GP, Ltd., a Cayman company owned by Mr. Yi Shi as well. Therefore, under the SFO, each of LAV Biosciences Fund V, L.P., LAV GP V, L.P., LAV Corporate V GP, Ltd. and Mr. Yi Shi is deemed to be interested in the Shares held by LAV Biosciences Fund V, L.P. Therefore, Mr. Yi Shi is deemed to be interested in the Shares held by both LAV Coda Limited and LAV Biosciences Fund V, L.P.

12. To the best of our Director's knowledge, Qiming Corporate GP V, Ltd is the general partner of Qiming Managing Directors Fund V,L.P. and the ultimate general partner of Qiming Venture Partners V, L.P. Qiming Corporate GP VI, Ltd is the general partner of Qiming Managing Directors Fund VI, L.P. and the ultimate general partner of Qiming Venture Partners VI, L.P. Accordingly, Qiming Corporate GP V, Ltd is deemed to be interested in the Shares held by Qiming Managing Directors Fund V, L.P. and Qiming Venture Partners V, L.P., whereas Qiming Corporate GP VI, Ltd is deemed to be interested in the Shares held by Qiming Managing Directors Fund VI, L.P. and Qiming Venture Partners VI, L.P.

13. To the best of our Director's knowledge, Hillhouse Capital Management, Ltd. acts as the sole management company of Hillhouse Fund IV, L.P., which owns HH SPR-III Holdings Limited. Therefore, Hillhouse Capital Management, Ltd. is deemed to be interested in the Shares held by HH SPR-III Holdings Limited.

Save as disclosed above, as at December 31, 2021, the Company had not been notified of any persons (other than a Director or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares that were recorded in the register required to be kept under section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time during 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.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended December 31, 2021, none of our Directors had any interest in a business, apart from the business of our Group, which competed or was likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

Directors' Report

CONNECTED TRANSACTIONS

On August 31, 2021, the Company entered into a share purchase agreement with Hebecell, pursuant to which the Company has agreed to purchase and subscribe, and Hebecell has agreed to allot and issue, 1,321,257 series A preferred shares of Hebecell with the consideration of US$25,000,000, which represents approximately 19.74% of the issued share capital of Hebecell on a fully-diluted and as converted basis upon completion of the closings of the share purchase agreement. Certain other investors to the share purchase agreement are associates of the executive Directors, namely Dr. Yinxiang WANG, Ms. Xiaojie WANG and Ms. Yunyan HU, respectively, and therefore each a connected person of the Company. Accordingly, the series A investment of Hebecell, which involves the Company and its connected persons participating in the same round of investment of Hebecell, constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The Directors (including the independent non-executive Directors) is of the view that the terms of the share purchase agreement are executed on normal commercial terms and are fair and reasonable. For more details, please refer to the Company's announcement dated August 31, 2021 in relation to the purchase of series A preferred shares in Hebecell.

The Group has no non-exempt continuing connected transactions (the "Continuing Connected Transactions") for the Group for the year ended December 31, 2021, which should be disclosed pursuant to the requirements of Rule 14A.71 of the Listing Rules. Details of related party transactions of the Group for the year ended December 31, 2021 are set out in note 31 to the consolidated financial statements. Save as disclosed above, none of the related party transactions constitutes a connected transaction or continuing connected transaction subject to independent shareholders' approval, annual review, and disclosure requirements in Chapter 14A of the Listing Rules.

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.

DISTRIBUTABLE RESERVES

As at December 31, 2021, the Company did not have any distributable reserves.

DONATIONS

During the Reporting Period, charitable and other donations made by the Group amounted to RMB50,000 (2020: Nil).

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.

BANK BORROWINGS AND OTHER BORROWINGS

As at December 31, 2021, the Company did not have any bank borrowings or other borrowings.

PUBLIC FLOAT

According to information that is publicly available to the Company and within the knowledge of the Board, the Company has maintained the public float as required under the Listing Rules during the year ended December 31, 2021 and up to the date of this annual report.

Directors' Report

CORPORATE GOVERNANCE

The Board is of the opinion that the Company had adopted, applied and complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the year under review. Principal corporate governance practices adopted by the Company are set out in the "Corporate Governance Report" section of this annual report.

FINANCIAL SUMMARY

A summary of the audited consolidated results and the assets and liabilities of the Group for the last four financial years, as extracted from the audited consolidated financial statements, is set out on page 169 of this annual report. This summary does not form part of the audited consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at December 31, 2021, are set out in note 33 to the consolidated financial statements.

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.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Group or existed during the year ended December 31, 2021.

MANAGEMENT CONTRACTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year ended December 31, 2021.

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during 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.

Directors' Report

STOCK INCENTIVE PLAN

The Company has adopted the 2021 Stock Incentive Plan (the "**Plan**") on August 31, 2021. The purposes of the Plan are to attract and retain the best available personnel, to provide additional incentives to Employees and to promote the success of the Company's business.

A summary of the principal terms of the Plan is set out below:

Eligible participants

Persons eligible to receive Awards under the Plan are Employees, who is in the employ of the Company or any Related Entity and is manager level or above, or considered essential for the Company's development by the Company's management team, subject to the control and direction of the Company or any Related Entity as to both the work to be performed and the manner and method of performance.

Administration

With respect to grants of Awards to Employees, the Plan shall be administered by the administrator, namely Xiaojie WANG and Ms. Yunyan HU, directors of the Company, or a person designated by Ms. Xiaojie WANG and Ms. Yunyan HU (the "**Administrator**").

Maximum number of shares

The Administrator may instruct the Actual Grantor, at any time as they deem appropriate, to purchase Shares on the open market utilizing consideration received in relation to the grant of Awards. Subject to the adjustments upon changes in capitalization, the maximum aggregate number of Shares which may be issued pursuant to all Awards is (i) 10,000,000 Shares; plus (ii) Shares purchased on the open market from time to time. The Shares to be issued pursuant to Awards may be authorized, but unissued Ordinary Shares, and Shares purchased on the open market.

Life

The Plan shall continue in effect until the tenth (10th) anniversary of its adoption date.

Award purchase price

The purchase price, if any, for an Award shall be determined by the Administrator.

Consideration

Subject to applicable laws, the consideration to be paid for the Shares to be issued upon purchase of an Award including the method of payment, shall be determined by the Administrator. In addition to any other types of consideration the Administrator may determine, the Administrator is authorized to accept as consideration for Shares issued the payment methods as provided in the Award Agreement. The Administrator may at any time or from time to time, by adoption of or by amendment to the standard forms of Award Agreement or by other means, grant Awards which do not permit all of the foregoing forms of consideration to be used in payment for the Shares or which otherwise restrict one or more forms of consideration.

For details of the Plan, please refer to the announcements of the Company dated August 31, 2021 and October 8, 2021.

During the Reporting Period, no RSUs, Restricted Shares or other right or benefit granted or sold under the Plan had been granted, agreed to be granted, exercised, cancelled or lapsed pursuant to the Plan and therefore the total number of Shares available for grant under the Plan was 10,000,000 Shares, representing approximately 1.3% of the issued share capital of the Company as at December 31, 2021.

Save as disclosed above, the Company did not have any new adopted stock incentive plan for the year ended December 31, 2021. Details of stock incentive plans adopted in previous years, are set out in note 27 to the consolidated financial statements.

Directors' Report

MATERIAL CONTRACTS AND EXECUTION

During the Reporting Period, the Group did not have any material custody, contracting or lease arrangements, nor were there such arrangements carried forward to the Reporting Period from the previous period.

USE OF PROCEEDS FROM GLOBAL OFFERING

The Company's Shares were listed on the Main Board of the Stock Exchange on the Listing Date. The Group received net proceeds (after deduction of underwriting commissions and related costs and expenses) from its Global Offering of approximately HK$1,421.8 million, equivalent to RMB1,183.1 million including shares issued as a result of the partial exercise of the over-allotment option. The Company intends to use the net proceeds in the manner consistent with that mentioned in the section headed "Future Plans and Use of Proceeds" in the Prospectus and will gradually utilize the residual amount of the net proceeds in accordance with such intended purposes by the end of 2025. This expected timeline is based on the best estimation of future market conditions and the Group's business operations, and remains subject to change based on our current and future development of market conditions and actual business needs.

As at December 31, 2021, approximately RMB220.6 million of the net proceeds of the Global Offering had been utilized as follows:

	Percentage of net proceeds	**Allocation of net proceeds from the Global Offering in the proportion disclosed in the Prospectus** *RMB million*	**Utilization as at December 31, 2021** *RMB million*	**Unutilized as at December 31, 2021** *RMB million*
Fund registrational clinical trials and preparation for registration filings of JAB-3068 in mainland China, Hong Kong and Macau (the "Territory")	44%	520.6	–	520.6
Fund registrational clinical trials and preparation for registration filings of JAB-3312 in the Territory	18%	213.0	–	213.0
Fund the set-up of our sales and marketing team and commercialization activities of JAB-3068 and JAB-3312 in the Territory	4%	47.3	–	47.3
Fund ongoing and planned clinical trials of JAB-8263	10%	118.3	31.5	86.8
Fund ongoing pre-clinical and clinical development of JAB-21822 and the preparation of its IND filing	8%	94.6	93.8	0.8
For the ongoing and planned early-stage drug discovery and development, including pre-clinical and clinical development of our other pipeline assets, discovery and development of new drug candidates	4%	47.3	47.3	–

Directors' Report

	Percentage of net proceeds	Allocation of net proceeds from the Global Offering in the proportion disclosed in the Prospectus *RMB million*	Utilization as at December 31, 2021 *RMB million*	Unutilized as at December 31, 2021 *RMB million*
Fund the planned construction of our in-house GMP-compliant manufacturing facility	8%	94.6	0.6	94.0
For working capital and general corporate purposes	4%	47.4	47.4	–
Total	**100%**	**1,183.1**	**220.6**	**962.5**

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 other plans for material investments and capital assets.

AUDITOR

The consolidated financial statements of the Group for the year ended December 31, 2021, have been audited by PricewaterhouseCoopers, who will retire at the 2022 AGM. PricewaterhouseCoopers, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as the auditor of the Company will be proposed at the 2022 AGM.

By order of the Board
JACOBIO PHARMACEUTICALS GROUP CO., LTD.

Yinxiang WANG
Chairman

Hong Kong, March 22, 2022

Independent Auditor's Report

To the shareholders of JACOBIO PHARMACEUTICALS GROUP CO., LTD.
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of JACOBIO PHARMACEUTICALS GROUP CO., LTD. (the "Company") and its subsidiaries (the "Group"), which are set out on pages 105 to 168, comprise:

- the consolidated balance sheet as at 31 December 2021;
- the consolidated statement of loss for the year then ended;
- the consolidated statement of comprehensive loss for the year then ended;
- the consolidated statement of changes in shareholders' equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 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") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Independent Auditor's Report

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is related to revenue recognition.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition Refer to Notes 2.18, 4(a) and 5 to the consolidated financial statements. The Group recognised revenue totalled RMB152,809,000 for the year ended 31 December 2021 in relation to a license and collaboration agreement entered by the Group with a customer (the "Agreement"). Under the terms of the Agreement, the Group agreed to grant licenses of certain intellectual properties and to provide research and development services in relation to certain licensed products to this customer. The considerations of the Agreement consist of non-refundable upfront payment, reimbursements for research and development costs incurred, and variable considerations including milestone payments and royalties on net sales of the licensed products. Revenue was recognised when control of goods or services was transferred to the customer at an amount that reflected the consideration to which the Group expected to be entitled in exchange for those goods or services. As part of the accounting for the revenue from the Agreement, the Group's management used significant judgements to identify the number of performance obligations included in the Agreement, and to assess whether a variable consideration should be included in the transaction price.	In addressing this matter, we had performed the following procedures: • We understood, evaluated and tested the key controls over revenue recognition performed by management of the Group. • We assessed the reasonableness of management's judgement on the identification of performance obligations based on the contractual terms of the Agreement and our knowledge of the business. • We assessed the reasonableness of management's judgement on whether milestone events for the variable consideration were considered to be highly probable of being achieved based on the contractual terms of the Agreement, external approvals obtained, and activities performed by the Group. • We tested, on a sample basis, the revenue transactions by examining the supporting documents, including terms of the Agreement, cash receipts, external approvals obtained, the underlying invoices and contracts with suppliers. Based on the above procedures performed, we found the revenue recognised was supported by the evidences we gathered.

Independent Auditor's Report

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

Independent Auditor's Report

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

- 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.

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 Yuen Kwok Sun.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 March 2022

Consolidated Statement of Loss

	Note	Year ended 31 December 2021 RMB'000	2020 RMB'000
Revenue	5	**152,809**	486,286
Cost of revenue	6	**(139,979)**	(44,115)
Gross profit		**12,830**	442,171
Research and development expenses	6	**(280,838)**	(185,952)
Administrative expenses	6	**(44,578)**	(53,838)
Other income	8	**10,997**	7,695
Other losses – net	9	**(17,795)**	(30,965)
Operating (loss)/profit		**(319,384)**	179,111
Finance income	10	**18,765**	3,144
Finance expenses	10	**(568)**	(1,497)
Finance income – net	10	**18,197**	1,647
Fair value losses in financial instruments with preferred rights		**–**	(1,694,435)
Loss before income tax		**(301,187)**	(1,513,677)
Income tax expense	11	**–**	–
Loss for the year		**(301,187)**	(1,513,677)
Loss attributable to:			
Owners of the Company		**(301,187)**	(1,513,655)
Non-controlling interests		**–**	(22)
		(301,187)	(1,513,677)
Loss per share attributable to owners of the Company:			
– Basic and diluted (in RMB per share)	12	**(0.40)**	(3.97)

The above consolidated statement of loss should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Loss

	Note	Year ended 31 December 2021 ***RMB'000***	2020 *RMB'000*
Loss for the year		**(301,187)**	(1,513,677)
Other comprehensive loss:			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations	*26*	**(205)**	31
Items that will not be reclassified to profit or loss:			
Changes in fair value of financial instruments with preferred rights due to own credit risk		**–**	(5,474)
Other comprehensive loss for the year, net of tax		**(205)**	(5,443)
Total comprehensive loss		**(301,392)**	(1,519,120)
Total comprehensive loss attributable to:			
Owners of the Company		**(301,392)**	(1,519,098)
Non-controlling interests		**–**	(22)
		(301,392)	(1,519,120)

The above consolidated statement of comprehensive loss should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

	Note	As at 31 December 2021 *RMB'000*	2020 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	*14*	**34,066**	30,261
Right-of-use assets	*15*	**7,706**	3,868
Intangible assets		**1,548**	1,171
Long-term investments measured at fair value through profit or loss	*16*	**16,228**	–
Other receivables and prepayments	*17*	**19,703**	16,702
Derivative financial instruments	*18*	**2,856**	–
Total non-current assets		**82,107**	52,002
Current assets			
Contract assets	*5*	**64,919**	171,413
Other receivables and prepayments	*17*	**32,675**	15,743
Derivative financial instruments	*18*	**4,550**	784
Cash and bank balances	*19*	**1,537,583**	1,627,408
Total current assets		**1,639,727**	1,815,348
Total assets		**1,721,834**	1,867,350
SHAREHOLDERS' EQUITY			
Equity attributable to owners of the Company			
Share capital	*25*	**510**	502
Other reserves	*26*	**3,979,220**	3,846,602
Share-based compensation reserve	*27*	**120,177**	100,728
Accumulated losses		**(2,462,819)**	(2,161,632)
		1,637,088	1,786,200
Non-controlling interests		**–**	–
Total shareholders' equity		**1,637,088**	1,786,200
LIABILITIES			
Non-current liabilities			
Lease liabilities	*22*	**1,889**	2,011
Deferred income	*21*	**2,024**	5,261
Total non-current liabilities		**3,913**	7,272
Current liabilities			
Trade payables	*23*	**51,047**	28,281
Other payables and accruals	*24*	**24,868**	37,376
Lease liabilities	*22*	**4,918**	8,221
Total current liabilities		**80,833**	73,878
Total liabilities		**84,746**	81,150
Total equity and liabilities		**1,721,834**	1,867,350

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 105 to 168 were approved by the board of Directors on 22 March 2022 and were signed on its behalf

Yinxiang Wang	**Xiaojie Wang**
Name of director	*Name of director*

Consolidated Statement of Changes in Shareholders' Equity

		Attributable to owners of the Company						
	Note	Share capital *RMB'000*	Other reserves *RMB'000*	Share-based compensation reserve *RMB'000*	Accumulated losses *RMB'000*	Subtotal *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
Balance at 1 January 2021		**502**	**3,846,602**	**100,728**	**(2,161,632)**	**1,786,200**	**–**	**1,786,200**
Comprehensive loss								
Loss for the year		**–**	**–**	**–**	**(301,187)**	**(301,187)**	**–**	**(301,187)**
Exchange differences on translation of foreign operations		**–**	**(205)**	**–**	**–**	**(205)**	**–**	**(205)**
Transactions with owners								
Share-based payments	*27*	**–**	**–**	**19,449**	**–**	**19,449**	**–**	**19,449**
Exercise of over-allotment option	*25, 26*	**8**	**132,823**	**–**	**–**	**132,831**	**–**	**132,831**
Balance at 31 December 2021		**510**	**3,979,220**	**120,177**	**(2,462,819)**	**1,637,088**	**–**	**1,637,088**

		Attributable to owners of the Company						
	Note	Share capital *RMB'000*	Other reserves *RMB'000*	Share-based compensation reserve *RMB'000*	Accumulated losses *RMB'000*	Subtotal *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
Balance at 1 January 2020		30	85,206	81,072	(636,117)	(469,809)	(269)	(470,078)
Comprehensive loss								
Loss for the year		–	–	–	(1,513,655)	(1,513,655)	(22)	(1,513,677)
Exchange differences on translation of foreign operations		–	31	–	–	31	–	31
Changes in fair value of financial instruments with preferred right due to own credit risk		–	(5,474)	–	–	(5,474)	–	(5,474)
Transactions with owners								
Contributions from shareholders	*25, 26*	31	17,150	–	–	17,181	–	17,181
Share-based payments	*27*	–	–	19,656	–	19,656	–	19,656
Transactions with non-controlling interests	*26*	–	(5,791)	–	–	(5,791)	291	(5,500)
Conversion of preferred shares to ordinary shares	*25, 26*	31	2,664,500	–	(11,860)	2,652,671	–	2,652,671
Capitalisation Issue	*25, 26*	347	(347)	–	–	–	–	–
Shares issued upon global offering	*25, 26*	63	1,091,327	–	–	1,091,390	–	1,091,390
Balance at 31 December 2020		502	3,846,602	100,728	(2,161,632)	1,786,200	–	1,786,200

The above consolidated statement of changes in shareholders' equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2021 RMB'000	2020 RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations	28	**(162,949)**	76,789
Interest received		**15,457**	2,036
Net cash (used in)/generated from operating activities		**(147,492)**	78,825
Cash flows from investing activities			
Purchases of property, plant and equipment		**(10,106)**	(10,138)
Purchases of intangible assets		**(1,029)**	(819)
Proceeds from disposal of property, plant and equipment		**10**	32
Purchase of long-term investments measured at fair value through profit or loss		**(16,144)**	–
Purchases of wealth management products		**–**	(194,000)
Proceeds from disposal of wealth management products		**–**	194,000
Receipt of investment income on wealth management products		**–**	686
Purchases of deposits with original maturities of over 3 months		**–**	(274,307)
Proceeds from settlement of deposits with original maturities of over 3 months		**194,905**	69,481
Interest received on deposits with original maturities of over 3 months		**549**	746
Payments for restricted bank deposits		**(10,499)**	(1,245)
Withdraw of restricted bank deposits		**1,219**	–
Proceeds from derivative financial instruments		**2,762**	–
Net cash generated from/(used in) investing activities		**161,667**	(215,564)
Cash flows from financing activities			
Interest paid		**(513)**	(1,857)
Proceeds from issue of ordinary shares upon global offering, net of listing expenses		**(11,892)**	1,103,517
Proceeds from exercise of over-allotment option, net of listing expenses		**132,831**	–
Proceeds from issuance of financial instruments with preferred rights		**–**	182,497
Transactions with non-controlling interests		**–**	(5,500)
Contributions from shareholders		**–**	17,181
Repayment to a third party		**–**	(12,000)
Principal elements of lease payments		**(11,369)**	(8,457)
Net cash generated from financing activities		**109,057**	1,275,381
Net increase in cash and cash equivalents		**123,232**	1,138,642
Cash and cash equivalents at beginning of the year		**1,430,416**	314,338
Effects of exchange rate changes on cash and cash equivalents		**(26,444)**	(22,564)
Cash and cash equivalents at end of the year	19	**1,527,204**	1,430,416

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

JACOBIO PHARMACEUTICALS GROUP CO., LTD. (the "Company") was incorporated in the Cayman Islands on 1 June 2018 as an exempted company with limited liability under the Companies Law (Cap.22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Walkers Corporate Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively, "the Group") are principally engaged in research and development of new drugs.

The ordinary shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Listing") on 21 December 2020.

The consolidated financial statements are presented in Renminbi ("RMB") and rounded to nearest thousand yuan, unless otherwise stated.

The consolidated financial statements have been approved for issue by the board of Directors on 22 March 2022.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

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

2.1 Basis of preparation

(a) Compliance with IFRS and disclosure requirements of the Hong Kong Companies Ordinance Cap.622

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") and disclosure requirements of the Hong Kong Companies Ordinance Cap.622. The financial statements comply with IFRS as issued by the International Accounting Standards Board ("IASB").

(b) Historical cost convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss, which are carried at fair value.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

2.1 Basis of preparation (Continued)

(c) New and amended standards adopted by the group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021:

– Interest Rate Benchmark Reform – Phase 2 — amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

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

(d) New standards and interpretations not yet adopted

Standards, amendments and interpretations that have been issued but not yet effective and not been early adopted by the Group, are as follows:

		Effective for accounting periods beginning on or after
Amendments to IAS 16	Property, Plant and Equipment – proceeds before intended use	1 January 2022
Amendments to IAS 37	Onerous contracts — cost of fulfilling a contract	1 January 2022
Amendments to IFRS 3	Reference to the conceptual framework	1 January 2022
Annual improvements to IFRS standards 2018 – 2020	Annual improvements to IFRS standards 2018 – 2020	1 January 2022
Amendments to IAS 1	Classification of liabilities as current or non-current	1 January 2023
IFRS 17	Insurance contracts	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

2.1 Basis of preparation (Continued)

(d) New standards and interpretations not yet adopted (Continued)

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

2.2 Subsidiaries

(a) Consolidation

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

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of loss, consolidated statement of comprehensive loss, consolidated balance sheet, and consolidated statement of changes in equity respectively.

(i) Business combination

The Group applies the acquisition method to account for business combinations except for business combination under common control. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree at the acquisition date is remeasured to fair value at the acquisition date; any gain or loss arising from such remeasurement is recognised in profit or loss.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

2.2 Subsidiaries (Continued)

(a) Consolidation (Continued)

(i) Business combination (Continued)

Any contingent consideration to be transferred by the Group is recognise at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognise in accordance with IFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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

(ii) Changes in ownership interests without change of control

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

(iii) Disposal of subsidiaries

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

2.2 Subsidiaries (Continued)

(b) Separate financial statements

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

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

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

(a) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.8.

During the years ended 31 December 2021 and 2020, no investment in associate is accounted for using the equity method.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

2.3 Associates (Continued)

(b) Investments in associates in the form of convertible redeemable preferred shares

Investments in associates in the form of convertible redeemable preferred shares are accounted as financial assets measured at fair value through profit or loss (Note 2.9).

2.4 Segment reporting

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

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). Since the majority of the assets and operations of the Group are located in the PRC, the consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency. The functional currency of the subsidiaries of the Company, which operate in other jurisdictions generally use their respective local currencies as their functional currencies.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in consolidated statement of comprehensive loss in the period in which they arise.

Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

All foreign exchange gains and losses are presented in the consolidated statement of comprehensive loss within other losses – net.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

2.5 Foreign currency translation (Continued)

(c) Group companies

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

(i) Assets and liabilities for balance sheet presented are translated at the closing rate at the date of that balance sheet;

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

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

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvement, the shorter lease term as follows:

–	Machinery and equipment	5-10 years
–	Office equipment and furniture	3-5 years
–	Leasehold improvement	Shorter of remaining lease term or estimated useful life

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

2.6 Property, plant and equipment (Continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposal are determined by comparing the proceeds with the carrying amounts. These are included in the consolidated statement of comprehensive loss.

2.7 Intangible assets

(a) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring the specific software into usage. These costs are amortised using the straight-line method over their estimated useful lives of 3-10 years.

(b) Non-proprietary technologies

Acquired non-proprietary technologies are initially recorded at cost incurred to acquire and are amortised on a straight-line basis over their estimated useful lives.

(c) Research and development

The Group incurs significant costs and efforts on research and development activities. Research expenditures are charged to the profit or loss as an expense in the period the expenditure is incurred. Development costs are recognised as assets if they can be directly attributable to a newly developed drug product and all the following can be demonstrated:

- The technical feasibility to complete the development project so that it will be available for use or sale;
- The intention to complete the development project to use or sell the intangible asset;
- The ability to use or sell the intangible asset;
- The manner in which the development project will generate probable future economic benefits for the Group;
- The availability of adequate technical, financial and other resources to complete the development project and use or sell the intangible asset; and
- The expenditure attributable to the asset during its development can be reliably measured.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

2.7 Intangible assets (Continued)

(c) Research and development (Continued)

Capitalised development costs are amortised using the straight-line method over the life of the related intangible asset. Amortisation shall begin when the asset is available for use.

Development expenditures not satisfying the above criteria are recognised in the profit or loss as incurred.

During the years ended 31 December 2021 and 2020, there were no development costs meeting these criteria and capitalised as intangible assets.

2.8 Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting year.

2.9 Financial assets

(a) Classification

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

– Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

– Those to be measured at amortised cost.

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

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

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

See Note 20 for details about each type of financial assets.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

2.9 Financial assets (Continued)

(b) Recognition and measurement

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

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

Debt instruments

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognise in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

- Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for sale, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other losses – net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other losses – net.

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognise in profit or loss and presented net in the consolidated statement of comprehensive loss within other losses – net in the period in which it arises.

During the years ended 31 December 2021 and 2020, no amount is recognised in respect of financial assets at fair value through other comprehensive income.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

2.9 Financial assets (Continued)

(b) Recognition and measurement (Continued)

Derivatives

The Group's derivatives are not designated as hedging instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value through profit or loss.

(c) Derecognition of financial assets

The Group derecognises a financial asset, if the part being considered for derecognition meets one of the following conditions:

- 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.

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.

(d) Impairment of financial assets

The Group assesses the expected credit losses associated with its other receivables and contract assets on a forward-looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

At each reporting date, the Group shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition.

The measurement of expected credit losses reflects: An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; the time value of money; and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

2.10 Offsetting financial instruments

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

2.11 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.12 Cash and cash equivalents

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

2.13 Share capital

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

2.14 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within 1 year (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they are incurred.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

2.16 Income tax

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

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting dates in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

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

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

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

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

2.16 Income tax (Continued)

(c) Offsetting

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

2.17 Employee benefits

(a) Short-term obligations

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

(b) Pension obligations

Employees of the Group are covered by various government-sponsored defined-contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these employees when they retire. The Group contributes on a monthly basis to these pension plans for the employees which are determined at a certain percentage of their salaries. Under these plans, the Group has no obligation for post-retirement benefits beyond the contribution made. Contributions to these plans are expensed as incurred and not reduced by contributions forfeited by those employees who leave the plans prior to vesting fully in the contributions.

(c) Housing funds, medical insurance and other social insurance

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

2.17 Employee benefits (Continued)

(d) Share-based payments

(i) Equity-settled share-based payment transaction

The Group operates equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of equity instruments is recognised as an expense on the consolidated financial statements. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

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

At the end of each reporting period, the Group revises its estimates of the number of equity instruments that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of comprehensive loss, with a corresponding adjustment to equity.

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

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

Where shares are forfeited due to a failure by the employee to satisfy the service conditions, any expenses previously recognised in relation to such shares are reversed effective the date of the forfeiture.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

2.17 Employee benefits (Continued)

(d) Share-based payments (Continued)

(ii) Share-based payment transaction among group entities

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

2.18 Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

At contract inception, the Group assesses the goods or services promised within each contract and determines those that are performance obligations and assesses whether each promised good or service is distinct.

The Group considers the terms of the contracts to determine the transaction price. When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value.

The Group recognises revenue only when it satisfies a performance obligation by transferring control of the promised goods or services. The transfer of control can occur over time or at a point in time. A performance obligation is satisfied over time if it meets one of the following criteria.

- The counterparty simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.
- The Group's performance creates or enhances an asset that the counterparty controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

2.18 Revenue recognition (Continued)

***Revenue from contracts with customers** (Continued)*

If control of the goods and services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. The Group adopts an appropriate method of measuring progress for the purpose of recognising revenue. The Group evaluates the measure of progress at the end of each reporting period and, if necessary, adjusts the measure of performance and related revenue recognition.

The Group enters into license and collaboration agreements for research, development, manufacturing and commercialisation services. The terms of these arrangements typically include non-refundable upfront payments, reimbursements for costs incurred, milestone payments and royalties on net sales of licensed products. The contracts generally do not include a significant financing component.

As part of the accounting for these arrangements, the Group uses significant judgement: (i) to determine the performance obligations; and (ii) to estimate variable consideration.

Licenses of intellectual property: The Group assesses whether the licensing of the Group's intellectual property is distinct from the other performance obligations identified in the arrangements. For licenses determined to be distinct, the Group recognises revenue from non-refundable, upfront payments allocated to the license at a point in time, when the license is transferred to the licensee and the licensee is able to use and benefit from the license.

Research and development services: For research and development services determined to be distinct, the portion of the reimbursements for costs incurred and other transaction price allocated to the performance obligations is recognised as revenue over time as delivery or performance of such services occurs.

The Group uses judgement to determine whether milestones or other variable consideration, except for royalties, should be included in the transaction price.

Milestone payments: At the inception of each arrangement that includes milestone payments, the Group assesses whether the milestones are considered highly probable of being achieved and estimates the amount to be included in the transaction price using the most likely amount method.

In making these assessments, the Group considers various factors such as the scientific, clinical, regulatory, commercial, and other risks that must be overcome to achieve a particular milestone. Milestone payments that are subject to regulatory approvals and commercialisation stages are not considered highly probable of being achieved until those approvals are received or commercialisation stages are achieved.

The transaction price will be allocated to each performance obligation on a relative stand-alone selling price basis, for which the Group recognises revenue from milestone payments as or when the performance obligations are satisfied. At the end of each subsequent reporting period, the Group re-evaluates the probability of achievement of all milestones subject to constraint and, if necessary, adjusts its estimate of the overall transaction price.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

2.18 Revenue recognition (Continued)

***Revenue from contracts with customers** (Continued)*

Royalties: For arrangements that include sales-based royalties, the Group recognises revenue at the later of (i) when the related sales occur, or (ii) when the performance obligation to which some or all of the royalty has been allocated has been satisfied (or partially satisfied).

The excess of cumulative revenue recognised in profit or loss over the cumulative billings to customers is recognised as contract assets. The excess of cumulative billings to customers over the cumulative revenue recognised in profit or loss is recognised as contract liabilities.

2.19 Government grants

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

Where the grants relate to an expense item, it is recognised as income on a systematic basis over the period that the costs, which it is intended to compensate, are expensed. Where the grants relate to an asset, the fair value is credited to a deferred income account and is released to the consolidated statement of comprehensive loss over the expected useful life of the relevant asset on straight-line basis.

2.20 Leases

The Group leases properties for operation. Rental contracts are typically made for a fixed period of 1 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognised as right-of-use assets and the corresponding liabilities at the date of which the respective leased assets are available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

2.20 Leases (Continued)

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

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

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

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

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

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

Right-of-use assets are generally depreciated over the lease term on a straight-line basis. Right-of-use assets are subject to impairment (Note 2.8).

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions. Rent concessions have been accounted for as negative variable lease payments and recognised in the consolidated statement of loss for the current period with a corresponding adjustment to the lease liabilities.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of less than 12 months. Low-value assets comprise IT equipment and small items of office furniture.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

2.21 Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.22 Loss per share

(a) Basic loss per share

Basic loss per share is calculated by dividing:

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

(b) Diluted loss per share

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

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

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

During the year ended 31 December 2021 and 2020, the Group mainly operates in the PRC with most of the transactions settled in RMB, but also undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuation arise. Management manages its foreign exchange risk by closely reviewing the movement of the foreign currency rates and considers hedging significant foreign exchange exposure should the need arise.

The Group's exposure to foreign currency risk at 31 December 2021 and 2020, expressed in RMB, was as follows:

	As at 31 December 2021		As at 31 December 2020	
	USD	***HKD***	*USD*	*HKD*
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Contract assets	**64,919**	**–**	171,413	–
Other receivables and prepayments	**534**	**103**	363	–
Long-term investments measured at fair value through profit or loss	**16,228**	**–**	–	–
Derivative financial instruments	**2,856**	**–**	–	–
Cash and bank balances *(Note)*	**261,068**	**762,599**	405,088	1,097,734
Trade payables	**(20,932)**	**–**	(15,113)	–
Other payables and accruals	**–**	**–**	(641)	(13,700)

Note:

During the year ended 31 December 2021 and 2020, the Group entered into several foreign currency exchange forward contracts with banks in order to manage the Group's foreign currency exposure in relation to USD against RMB (Note 18). As at 31 December 2021, the notional amount of foreign currency exchange forward contracts unsettled is USD20,000,000 (2020: USD4,000,000), which is excluded from the Group's exposure to foreign exchange risk.

As at 31 December 2021, if USD/HKD had strengthened/weakened by 5% against RMB with all other variables held constant, net loss would have been approximately RMB54,369,000 lower/higher (2020: RMB82,257,000 lower/higher).

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Cash flow and fair value interest rate risk

As at 31 December 2021, the Group did not have any bank and other borrowings and consequently was not exposed to cash flow and fair value interest rate risk.

(b) Credit risk

Credit risk mainly arises from cash and bank balances, contract assets, derivative financial instruments and other receivables. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet.

For cash and bank balances and derivative financial instruments arising from foreign currency exchange forward contracts, the Group considers the credit risk is low because the counterparties are state-owned financial institutions in the PRC and reputable international financial institutions outside the PRC. The directors of the Company do not expect any losses and no loss allowance provision for short-term bank deposits and bank balances and derivative financial instruments.

For contract assets and other receivables, management makes periodic assessments as well as individual assessment on the recoverability based on historical settlement records and past experience and adjusts for forward looking information. The Group applies the simplified approach for the Group's contract assets using a lifetime expected loss provision. The directors of the Company do not expect any losses from contract assets from the customer, which is a reputable pharmaceutical company with low credit risk, and no loss allowance provision for contract assets was recognised.

Management has assessed that during the years, other receivables have not had a significant increase in credit risk since initial recognition. Thus, a 12-month expected credit loss approach that results from possible default event within 12 months of each reporting date is adopted by management. The directors of the Company do not expect any losses from non-performance by the counterparties of other receivables, and no loss allowance provision for other receivables was recognised.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

The Group aims to maintain sufficient cash to meet operating capital requirements.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
As at 31 December 2021					
Trade payables	**51,047**	**–**	**–**	**–**	**51,047**
Other payables and accruals (excluding non-financial liabilities)	**5,741**	**–**	**–**	**–**	**5,741**
Lease liabilities	**5,136**	**1,932**	**–**	**–**	**7,068**
Total	**61,924**	**1,932**	**–**	**–**	**63,856**
As at 31 December 2020					
Trade payables	28,281	–	–	–	28,281
Other payables and accruals (excluding non-financial liabilities)	22,555	–	–	–	22,555
Lease liabilities	8,653	1,046	1,080	–	10,779
Total	59,489	1,046	1,080	–	61,615

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital management

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

The Group monitors capital by regularly reviewing the capital structure. The Group may adjust the amount of dividends paid to shareholders, provide returns for shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total borrowings and lease liabilities less cash and bank balances. As at 31 December 2021 and 2020, the Group has no net debt outstanding.

3.3 Fair value estimation

(a) Fair value hierarchy

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

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

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

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

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(a) Fair value hierarchy (Continued)

The following table presents the Group's assets and liabilities that were measured at fair value at 31 December 2021 and 2020:

	As at 31 December 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Assets				
Long-term investments measured at fair value through profit or loss	**–**	**–**	**16,228**	**16,228**
Derivative financial instruments	**–**	**4,550**	**2,856**	**7,406**
	–	**4,550**	**19,084**	**23,634**

	As at 31 December 2020			
	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Derivative financial instruments	–	784	–	784

(b) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- Back-solve method and equity allocation model based on a combination of observable and unobservable inputs; and
- Black-Scholes option pricing model and the forward pricing model based on a combination of observable and unobservable inputs.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(c) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the periods ended 31 December 2021 and 31 December 2020:

	Long-term investments measured at fair value through profit or loss *RMB'000*	Derivative financial instruments *RMB'000*	Total *RMB'000*
As at 1 January 2020 and 31 December 2020	–	–	–
As at 1 January 2021	–	–	–
Additions	16,035	109	16,144
Changes in fair value	193	2,747	2,940
As at 31 December 2021	**16,228**	**2,856**	**19,084**
Net unrealised gains for the year	193	2,747	2,940

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year ended 31 December 2021 and 2020.

(d) Valuation processes

The Group has a team that manages the valuation of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the investments on a case by case basis. At least once every year, the team would use valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(e) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

Description	Fair value at		Unobservable inputs	Range of inputs		Relationship of unobservable inputs to fair value
	31 December 2021	31 December 2020		31 December 2021	31 December 2020	
	RMB'000	*RMB'000*				
Long-term investments measured at fair value through profit or loss	**16,228**	–	Expected volatility	**56.47%-81.12%**	N/A	The higher the expected volatility, the lower the fair value
			Discount for lack of marketability ("DLOM")	**26.28%-30.90%**	N/A	The higher the DLOM, the lower the fair value
			Risk-free rate	**1.31%**	N/A	The higher the risk-free rate, the lower the fair value
Derivative financial instruments	**2,856**	–	Risk-free rate	**0.24%-0.60%**	N/A	The higher the risk-free rate, the higher the fair value

Should the risk-free rate used in the back-slove method and the equity allocation model be higher/lower by 100 basis points from management's estimates, the estimated fair value carrying amounts of long-term investments measured at fair value through profit or loss as at 31 December 2021 would have been approximately RMB33,000 lower/ RMB33,000 higher respectively (2020:N/A).

Should the risk-free rate used in the Black-Scholes option pricing model and the forward pricing model be higher/lower by 100 basis points from management's estimates, the estimated fair value carrying amounts of derivative financial instruments as at 31 December 2021 would have been approximately RMB62,000 higher/RMB62,000 lower respectively (2020:N/A).

The carrying amounts of the Group's financial liabilities and other financial assets, including cash and bank balances, other receivables, lease liabilities, trade payables and other payables, approximate their fair values.

Notes to the Consolidated Financial Statements

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Revenue recognition

(i) Identification of performance obligations

The Group identifies the performance obligations within the contracts and evaluates which performance obligations are distinct, which requires the use of judgement. The Group has determined that both the licenses of intellectual property and research and development services are each capable of being distinct. The Group also determined that the promises to transfer the licenses of intellectual property and to provide research and development services are distinct within the context of the contract. In addition, the licenses of intellectual property and research and development services are not highly interdependent or highly interrelated in the contracts because the delivery of the license is not dependent on the service to be provided in the future. Consequently, the Group has allocated a portion of the transaction price to the license of intellectual property and research and development services based on relative standalone selling prices.

(ii) Estimation of variable consideration

The consideration within the contracts includes milestone payments or other variable consideration, except for royalties. The Group determine the amount of variable consideration by using either the expected value or the most likely amount based on which method better predicts the amount of consideration to which it will be entitled. The Group assesses whether the milestones are considered highly probable of being achieved and estimates the amount to be included in the transaction price using the most likely amount method. In making these assessments, the Group considers various factors such as the scientific, clinical, regulatory, commercial, and other risks that must be overcome to achieve a particular milestone.

(b) Estimation of fair value of long-term investments measured at fair value through profit or loss

Long-term investments measured at fair value through profit or loss, in the absence of an active market, is estimated by using appropriate valuation techniques. The Group used back-solve method to determine the underlying equity fair value of the investee and then adopted the equity allocation model to determine the fair value of the long-term investments measured at fair value through profit or loss as at date of purchase and at the end of each reporting period. Key assumptions, such as expected volatility, DLOM and risk-free rate are disclosed in Note 3.3. Any change in key assumptions used in the equity allocation model will have impacts on the fair values.

Notes to the Consolidated Financial Statements

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(c) Recognition of share-based compensation expenses

As mentioned in Note 27, equity-settled share-based compensation plans were granted to the employees. The Group have used Black-Scholes model or binomial model to determine the total of the share options and used back-solve method to determine the total fair value of the restricted shares granted to employees, which are to be expensed over the vesting period. Significant estimate on assumptions, such as the risk-free interest rate, expected volatility, estimation of vesting period and dividend yield, is required to be made by the Group in applying the methods.

(d) Current and deferred income taxes

There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required from the Group in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group recognises deferred income tax assets based on estimates that it is probable to generate sufficient taxable profits in the foreseeable future against which the deductible losses will be utilised. The recognition of deferred income tax assets mainly involved management's judgments and estimations about the timing and the amount of taxable profits of the companies who had tax losses.

5 SEGMENT AND REVENUE INFORMATION

Management has determined the operating segments based on the reports reviewed by CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Group.

(a) Description of segments

The Group is principally engaged in the research and development of new drugs. The CODM reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the CODM regards that there is only one segment which is used to make strategic decisions.

(b) license and collaboration agreement with a customer

The Group recognised revenue totalled RMB152,809,000 for the year ended 31 December 2021 (2020:RMB486,286,000)in relation to a license and collaboration agreement entered by the Group with a customer (the "Agreement"). Under the terms of the Agreement, the Group agreed to grant licenses of certain intellectual properties and to provide research and development services in relation to certain licensed products to this customer. The considerations of the Agreement consist of non-refundable upfront payment, reimbursements for research and development costs incurred, and variable considerations including milestone payments and royalties on net sales of the licensed products.

Notes to the Consolidated Financial Statements

5 SEGMENT AND REVENUE INFORMATION (Continued)

(c) An analysis of revenue from contracts with customers is as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Revenue from the Agreement	**152,809**	486,286

The Group derives revenue from the transfer of goods and services over time and at a point in time as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Timing of revenue recognition:		
Over time	**152,809**	47,946
At a point in time	**–**	438,340
Revenue from contracts with customers	**152,809**	486,286

(d) Assets related to contracts with customers

The Group has recognised the following assets related to contracts with customers:

	As at 31 December 2021	As at 31 December 2020
	RMB'000	*RMB'000*
Contract assets relating to the Agreement	**64,919**	171,413
Less: loss allowance	**–**	–
Current portion	**64,919**	171,413

Notes to the Consolidated Financial Statements

6 EXPENSES BY NATURE

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Employee benefits expenses *(Note 7)*	**128,672**	83,102
Testing fee	**188,150**	102,570
Raw materials and consumables used	**99,050**	37,919
Depreciation and amortisation	**10,791**	8,388
Professional services expenses	**12,397**	10,587
Utilities and office expenses	**7,810**	5,400
Short-term leases expenses	**6,973**	4,010
Travelling and transportation expenses	**1,628**	861
Auditor's remuneration	**2,816**	1,666
– Audit services	**2,636**	1,666
– Non-audit services	**180**	–
Listing expenses	**–**	26,630
Others	**7,108**	2,772
Total	**465,395**	283,905

7 EMPLOYEE BENEFITS EXPENSES

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Wages, salaries and bonuses	**92,483**	56,303
Share-based compensation expenses *(Note 27)*	**19,449**	19,656
Social security costs and housing benefits	**15,163**	5,335
Other employee benefits	**1,577**	1,808
	128,672	83,102

(a) Employee benefits expenses by nature

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Cost of revenue	**18,674**	5,424
Research and development expenses	**82,950**	61,526
Administrative expenses	**27,048**	16,152
	128,672	83,102

Notes to the Consolidated Financial Statements

8 OTHER INCOME

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Government grants	**10,262**	7,009
Other income from a related party *(Note 31 (c))*	**735**	–
Investment income on wealth management products	**–**	686
	10,997	7,695

9 OTHER LOSSES – NET

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Net foreign exchange losses	**(27,263)**	(31,749)
Net fair value gains on derivative financial instruments	**9,275**	784
Fair value changes on long-term investments measured at fair value through profit or loss	**193**	–
	(17,795)	(30,965)

10 FINANCE INCOME – NET

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Finance income		
– Interest income	**18,765**	3,144
Finance expenses		
– Interest costs on lease liabilities	**(568)**	(980)
– Finance cost on other financial instruments at amortised cost	**–**	(517)
	(568)	(1,497)
Finance income – net	**18,197**	1,647

Notes to the Consolidated Financial Statements

11 INCOME TAX EXPENSE

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Current income tax expense	–	–
Deferred income tax expense	–	–
	–	–

(a) The Group's principal applicable taxes and tax rates are as follows:

Cayman Islands

Under the prevailing laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. In addition, no Cayman Islands withholding tax is payable on dividend payments by the Company to its shareholders.

Hong Kong

Hong Kong profits tax rate is 8.25% for assessable profits on the first HKD2 million and 16.5% for any assessable profits in excess. No Hong Kong profit tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax during the year ended 31 December 2021 and 2020.

United States

The subsidiary incorporated in Massachusetts, United States is subject to statutory United States federal corporate income tax at a rate of 21%. It is also subject to the state income tax in Massachusetts at a rate of 8.00% during the year ended 31 December 2021 and 2020.

Mainland China

Pursuant to the PRC Enterprise Income Tax Law and the respective regulations, the subsidiaries which operate in Mainland China are subject to enterprise income tax at a rate of 25% on the taxable income.

Pursuant to the relevant laws and regulations, a subsidiary of the Company has been eligible as a High/New Technology Enterprise ("HNTE") which is subject to a tax concession rate of 15% during the year ended 31 December 2021 and 2020.

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that has been effective from 2018 onwards, enterprise engaging in research and development activities are entitled to claim 175% of their research and development expenditures incurred as tax deductible expenses when determining their assessable profits for that year.

Notes to the Consolidated Financial Statements

11 INCOME TAX EXPENSE (Continued)

(b) Numerical reconciliation of income tax expense

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Loss before income tax	**(301,187)**	(1,513,677)
Tax credits calculated at statutory tax rate of 25%	**(75,297)**	(378,419)
Impact of applying different tax rate	**27,546**	426,887
Recognition of previously unrecognised tax losses	**–**	(32,681)
Expenses not deductible for taxation purposes	**4,916**	4,969
Super deduction of research and development expenses	**(70,756)**	(30,128)
Tax losses not recognised as deferred tax assets	**113,591**	9,372
Income tax expense	**–**	–

As at 31 December 2021 and 2020, the Group had unused tax losses of approximately RMB854,566,000 and RMB400,201,000 respectively that can be carried forward against future taxable income.

Except disclosed below, no deferred tax assets have been recognised in respect of such tax losses due to the unpredictability of future taxable income.

As at 31 December 2021, deferred tax liabilities of RMB683,000 were recognised at a tax rate of 15% for taxable temporary differences of RMB4,550,000 related to the fair value gains on derivative financial instruments against which the tax losses can be utilised. Therefore, deferred tax assets of RMB683,000 were recognised.

As at 31 December 2020, deferred tax liabilities of RMB19,608,000 were recognised at a tax rate of 15% for taxable temporary differences of RMB130,724,000 related to a milestone payment from the Agreement, against which the tax losses can be utilised. Therefore, deferred tax assets of RMB19,608,000 were recognised for previously unrecognised tax losses. For the year ended 31 December 2021, the balance of deferred tax liabilities and deferred tax assets related to a milestone payment from the Agreement have been utilised.

The deferred tax assets and deferred tax liabilities were offset in the consolidated financial statements.

The unused tax losses of the Group were mainly from the subsidiaries incorporated in Mainland China. Pursuant to the relevant regulations, the tax losses of the subsidiaries incorporated in Mainland China, which are HNTE or Small and Medium-sized Technological Enterprises, will expire within 10 years.

Notes to the Consolidated Financial Statements

12 LOSS PER SHARE

(a) Basic loss per share

Basic and diluted loss per share reflecting the effect of the issuance of ordinary shares by the Company are presented as follows.

Basic loss per share is calculated by dividing the loss attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding.

	Year ended 31 December	
	2021	2020
Loss attributable to owners of the Company for the year (RMB'000)	**(301,187)**	(1,513,655)
Weighted average number of fully paid ordinary shares in issue (in thousands)	**747,293**	381,028
Basic loss per share (in RMB per share) (i)	**(0.40)**	(3.97)

(i) Movement of number of fully paid ordinary shares outstanding for the periods are shown in Note 25.

As at 31 December 2021, 32,690,345 shares (2020: 32,690,345 shares) are relevant to share-based payments of the Group, 9,545,335 shares (2020: 6,110,040 shares) of which have been vested and included in the calculation of basic loss per share, and the remaining 23,145,010 shares (2020: 26,580,305 shares) have not been included in the calculation of loss per share.

(ii) The calculation of basic loss per share has not considered the shares which were issued but not fully paid as dividends shall be declared and paid according to the amounts paid on the shares.

(b) Diluted loss per share

The Group had potential dilutive shares throughout the year ended 31 December 2021 and 2020 related to the shares held for employee incentive plan. Due to the Group's negative financial results for the year ended 31 December 2021 and 2020, shares held for employee incentive plan has anti-dilutive effect on the Group's loss per share. Thus, diluted loss per share is equivalent to the basic loss per share.

13 DIVIDEND

No dividend has been declared by the Company for the year ended 31 December 2021 (2020: nil).

Notes to the Consolidated Financial Statements

14 PROPERTY, PLANT AND EQUIPMENT

	Machinery and equipment *RMB'000*	Office equipment and furniture *RMB'000*	Leasehold improvement *RMB'000*	Total *RMB'000*
As at 1 January 2021				
Cost	**38,624**	**3,511**	**8,022**	**50,157**
Accumulated depreciation	**(10,943)**	**(2,040)**	**(6,913)**	**(19,896)**
Net book value	**27,681**	**1,471**	**1,109**	**30,261**
Year ended 31 December 2021				
Opening net book amount	**27,681**	**1,471**	**1,109**	**30,261**
Additions	**6,852**	**1,081**	**2,180**	**10,113**
Disposals	**–**	**(10)**	**–**	**(10)**
Depreciation charge	**(4,358)**	**(784)**	**(1,123)**	**(6,265)**
Effects of exchange rate changes	**(33)**	**–**	**–**	**(33)**
Closing net book value	**30,142**	**1,758**	**2,166**	**34,066**
As at 31 December 2021				
Cost	**45,443**	**4,582**	**10,202**	**60,227**
Accumulated depreciation	**(15,301)**	**(2,824)**	**(8,036)**	**(26,161)**
Net book value	**30,142**	**1,758**	**2,166**	**34,066**
As at 1 January 2020				
Cost	30,766	2,473	7,552	40,791
Accumulated depreciation	(7,708)	(1,484)	(4,969)	(14,161)
Net book value	23,058	989	2,583	26,630
Year ended 31 December 2020				
Opening net book amount	23,058	989	2,583	26,630
Additions	7,966	1,038	470	9,474
Disposals	(32)	–	–	(32)
Depreciation charge	(3,235)	(556)	(1,944)	(5,735)
Effects of exchange rate changes	(76)	–	–	(76)
Closing net book value	27,681	1,471	1,109	30,261
As at 31 December 2020				
Cost	38,624	3,511	8,022	50,157
Accumulated depreciation	(10,943)	(2,040)	(6,913)	(19,896)
Net book value	27,681	1,471	1,109	30,261

Notes to the Consolidated Financial Statements

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation of property, plant and equipment has been charged to the consolidated statement of loss as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Cost of revenue	**1,763**	445
Research and development expenses	**3,979**	4,462
Administrative expenses	**523**	828
	6,265	5,735

15 RIGHT-OF-USE ASSETS

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Leased properties	**7,706**	3,868

Notes to the Consolidated Financial Statements

15 RIGHT-OF-USE ASSETS (Continued)

The Group leases properties for own use. Information about leases for which the Group is a lessee is presented below:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Cost	**22,456**	14,567
Accumulated depreciation	**(14,750)**	(10,699)
Net book amount	**7,706**	3,868
Opening net book amount	**3,868**	7,400
Additions	**7,889**	–
Depreciation charge	**(4,051)**	(3,532)
Closing net book amount	**7,706**	3,868

The consolidated statement of loss and the consolidated statement of cash flows contain the following amounts relating to leases:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Depreciation charge of right-of-use assets	**4,051**	2,546
Interest costs on lease liabilities	**568**	980
Expenses relating to short-term leases	**6,973**	4,010
The cash outflow for leases as operating activities	**9,794**	4,559
The cash outflow for leases as financing activities	**11,882**	9,593

Notes to the Consolidated Financial Statements

16 LONG-TERM INVESTMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Non-current assets		
Preferred shares investment (a)	**16,228**	–

(a) In August 2021, the Company, among other investors, entered into a share purchase agreement with Hebecell Holding Limited ("Hebecell") (the "Share Purchase Agreement"), pursuant to which the Company has agreed to purchase and subscribe for 1,321,257 series A preferred shares at the purchase price of USD18.9213 per share, which represents approximately 19.74% of the issued share capital of Hebecell on a fully-diluted and as-converted basis upon completion of the 3rd closing of the Share Purchase Agreement, at a total consideration of USD25,000,000.

In September 2021, according to the Share Purchase Agreement, the Company purchased and subscribed for 132,125 series A preferred shares of Hebecell upon the 1st closing of the transaction and nominated one director of Hebecell. The total consideration paid was USD2,500,000 (approximately equivalent to RMB16,144,000). Accordingly, the Company has significant influence on Hebecell and recognised its investment in Hebecell in the form of convertible redeemable preferred shares as financial assets measured at fair value through profit or loss.

The Company's commitments to purchase and subscribe for the remaining 1,189,132 series A preferred shares at a fixed purchase price of USD18.9213 per share in the 2nd and the 3rd closing of the transaction, subject to the fulfillment or waiver of customary conditions precedent as set forth in the Share Purchase Agreement, were recognised as derivative financial instruments (Note 18).

The major valuation techniques used to determine fair values of long-term investments measured at fair value through profit or loss and derivative financial instruments arising from the commitment of investments, and the major assumptions used in the valuation are disclosed in Note 3.3.

Notes to the Consolidated Financial Statements

17 OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Prepayments for goods and services	**21,678**	12,115
Value added tax recoverable	**21,426**	15,727
Retentions receivables	**3,491**	3,327
Prepayments to suppliers of property, plant and equipment	**587**	875
Other receivables from a related party *(Note 31(d))*	**708**	–
Other receivables	**4,488**	401
	52,378	32,445
Less: non-current portion (a)	**(19,703)**	(16,702)
Current portion	**32,675**	15,743

(a) The non-current portion of other receivables and prepayments includes value added tax recoverable that could not be utilised in the coming 12 months, prepayments to suppliers of property, plant and equipment and retentions receivables.

18 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Current assets		
Foreign currency forward contracts (a)	**4,550**	784
Non-current assets		
Commitment of investments *(Note 16(a))*	**2,856**	–

(a) During the year ended 31 December 2021 and 2020, the Group entered into several foreign currency exchange forward contracts with banks in order to manage the Group's foreign currency exposure in relation to USD against RMB. As at 31 December 2021, the notional amount of foreign currency exchange forward contracts unsettled is USD20,000,000 (2020: USD4,000,000). The foreign currency forward contracts are not designated for hedge purposes and are measured at through profit or loss.

Notes to the Consolidated Financial Statements

19 CASH AND BANK BALANCES

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Cash at bank		
– HKD	**762,599**	1,097,734
– USD	**388,582**	431,188
– RMB	**386,402**	98,486
	1,537,583	1,627,408

Reconciliation to consolidated statement of cash flows:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Cash and bank balances	**1,537,583**	1,627,408
less: Deposits with original maturities of over 3 months	**–**	(195,747)
less: Restricted bank deposits (a)	**(10,379)**	(1,245)
Cash and cash equivalents	**1,527,204**	1,430,416

(a) Restricted bank deposits are the retention deposits for the Group's foreign currency exchange forward contracts (Note 18) and the retention deposits for a performance guarantee of a lease contract (Note 30 (a) (iii)).

Notes to the Consolidated Financial Statements

20 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Financial assets		
Financial assets at amortised cost		
– Other receivables *(Note 17)*	**8,687**	3,728
– Cash and bank balances *(Note 19)*	**1,537,583**	1,627,408
Long-term investments measured at fair value through profit or loss *(Note 16)*	**16,228**	–
Derivative financial instruments *(Note 18)*	**7,406**	784
	1,569,904	1,631,920
Financial liabilities		
Financial liabilities at amortised cost		
– Trade payables *(Note 23)*	**51,047**	28,281
– Other payables and accruals (excluding non-financial liabilities)*(Note 24)*	**5,741**	22,555
Lease liabilities *(Note 22)*	**6,807**	10,232
	63,595	61,068

21 DEFERRED INCOME

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Government grants		
Income-related grants (a)	**–**	2,714
Asset-related grants (b)	**2,024**	2,547
	2,024	5,261
To be realised within 12 months	**415**	3,237
To be realised after more than 12 months	**1,609**	2,024
	2,024	5,261

(a) The income-related grants are mainly subsidies received from the government for compensating the Group's research and development activities with regards to certain projects. The amount of government grants that credited to the consolidated statement of comprehensive loss is disclosed in Note 8.

(b) The asset-related grants are subsidies received from the government for compensating the Group's purchase of property, plant and equipment.

Notes to the Consolidated Financial Statements

22 LEASE LIABILITIES

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Current	**4,918**	8,221
Non-current	**1,889**	2,011
	6,807	10,232

The Group leases properties for own use and these lease liabilities were measured at net present value of the lease payments to be paid during the lease terms.

Lease liabilities were discounted at incremental borrowing rates of the Group ranging from 3.86% to 5.50%.

For the total cash outflows for leases including payments of lease liabilities and payments of interest expenses on leases are disclosed in Note 15.

23 TRADE PAYABLES

The aging analysis of trade payables is as follows:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Less than 1 year	**51,047**	28,004
Between 1 and 2 years	**–**	237
Between 2 and 3 years	**–**	40
	51,047	28,281

The carrying amounts of trade payables approximate their fair values.

Notes to the Consolidated Financial Statements

24 OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Payroll and welfare payables	**17,160**	13,087
Payables for purchase of property, plant and equipment and intangible assets	**2,985**	3,441
Tax payables	**1,967**	1,734
Accrued professional service fees	**1,989**	1,500
Accrued listing expenses	**–**	17,144
Short-term leases payables	**–**	416
Others	**767**	54
Total	**24,868**	37,376

25 SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares *USD'000*	Number of preferred shares	Nominal value of preferred shares *USD'000*
Authorised:				
As at 1 January 2020	429,976,807	43	70,023,193	7
Re-designation upon issuance of preferred shares (a)	(7,135,556)	(1)	7,135,556	1
Conversion of preferred shares to ordinary shares (a)	77,158,749	8	(77,158,749)	(8)
Amendment (b)	500,000,000	50	–	–
As at 31 December 2020	1,000,000,000	100	–	–
As at 1 January 2021 and 31 December 2021	**1,000,000,000**	**100**	**–**	**–**

Notes to the Consolidated Financial Statements

25 SHARE CAPITAL (Continued)

	Number of shares in equity	Share capital	
		USD'000	*RMB'000*
Issued and fully paid:			
As at 1 January 2020	43,763,526	4	30
Contributions from shareholders	44,024,474	4	31
Conversion of preferred shares to ordinary shares (a)	44,847,556	4	31
Capitalisation Issue (c)	530,542,224	53	347
Shares issued upon global offering (d)	96,476,100	10	63
As at 31 December 2020	759,653,880	75	502
As at 1 January 2021	**759,653,880**	**75**	**502**
Exercise of over-allotment option (e)	**11,808,300**	**1**	**8**
As at 31 December 2021	**771,462,180**	**76**	**510**

(a) The Company re-designated 7,135,556 ordinary shares as series C+ preferred shares on 27 February 2020. All preferred shares were converted into ordinary shares upon the global offering on 21 December 2020.

(b) Pursuant to the shareholders' resolution dated 30 November 2020, the authorised share capital of the Company was amended to USD100,000 divided into 1,000,000,000 ordinary shares of a nominal or par value of USD0.0001 each upon the global offering.

(c) Pursuant to the shareholders' resolution dated 30 November 2020, a total of 530,542,224 ordinary shares credited as fully paid at par value were allotted and issued to the shareholders of the register of members of the Company at the close of business on the date immediately preceding the date on which the global offering becomes unconditional by way of capitalisation of the sum of USD53,000 (equivalent to RMB347,000) standing to the credit of the capital reserve of the Company. The ordinary shares allotted and issued pursuant to the resolution rank pari passu in all respects with the then existing issued ordinary shares.

(d) On 21 December 2020, the Company issued a total of 96,476,100 ordinary shares at the price of HKD14.00 per share upon global offering and raised gross proceeds of approximately HKD1,350,665,000 (approximately equivalent to RMB1,141,312,000). Accordingly, 96,476,100 ordinary shares with par value of USD0.0001 each are issued and USD10,000 (approximately equivalent to RMB63,000) are credited to share capital, and remaining amounts, after netting of listing expenses, RMB1,091,327,000 are credited to capital reserve.

(e) On 13 January 2021, the international underwriters of the global offering partially exercised the over-allotment option, pursuant to which the Company issued 11,808,300 ordinary shares with par value of USD0.0001 each at a price of HKD14.00 per share and USD1,000 (approximately equivalent to RMB8,000) are credited to share capital, and remaining amounts, after netting of listing expenses, RMB132,823,000 are credited to capital reserve.

Notes to the Consolidated Financial Statements

26 OTHER RESERVES

	Capital reserve *RMB'000*	Losses from financial instruments with preferred rights due to own credit risk *RMB'000*	Foreign currency translation reserve (a) *RMB'000*	Total *RMB'000*
As at 1 January 2020	91,559	(6,386)	33	85,206
Exchange differences on translation of foreign operations	–	–	31	31
Changes in fair value of financial instruments with preferred rights due to own credit risk	–	(5,474)	–	(5,474)
Contributions from shareholders	17,150	–	–	17,150
Transaction with non-controlling interests in a subsidiary (b)	(5,791)	–	–	(5,791)
Conversion of preferred shares to ordinary shares *(Note 25(a))*	2,652,640	11,860	–	2,664,500
Capitalisation Issue *(Note 25(c))*	(347)	–	–	(347)
Shares issued upon global offering *(Note 25(d))*	1,091,327	–	–	1,091,327
As at 31 December 2020	3,846,538	–	64	3,846,602
As at 1 January 2021	**3,846,538**	**–**	**64**	**3,846,602**
Exchange of over-allotment option *(Note 25(e))*	**132,823**	**–**	**–**	**132,823**
Exchange differences on translation of foreign operations	**–**	**–**	**(205)**	**(205)**
As at 31 December 2021	**3,979,361**	**–**	**(141)**	**3,979,220**

(a) Foreign currency translation reserve represents the difference arising from the translation of financial information of a subsidiary of the Company, which has a functional currency different from the presentation currency of the Company.

(b) On 22 May 2020, the Group acquired the remaining 10% of the shares of an insignificant subsidiary Jacobio-Beta Pharmaceuticals Co., Ltd. ("Jacobio-Beta") from an independent third party at a consideration of RMB5,500,000. Upon the completion of the transaction, Jacobio-Beta is wholly owned by the Group.

Notes to the Consolidated Financial Statements

27 SHARE-BASED PAYMENTS

(a) 2017 employee incentive plan

On 1 January 2017, 19 eligible employees ("Grantees A") were granted 4,540,000 share options of Jacobio Pharmaceuticals Co., Ltd ("Beijing Jacobio") which are vested when Grantees A complete a five-year service period ("2017 Plan"). The exercise price of the options is RMB1.00 per ordinary share.

(b) Modification of 2017 Plan

On 1 March 2020, Grantees A were granted 2,231,864 restricted shares at a consideration of RMB0.1 per ordinary share, taking place of the 4,540,000 share options under 2017 Plan. The Group records the incremental fair value, amounting to RMB4,151,000, and the remaining expense of the original share options granted, amounting to RMB1,298,000, in the consolidated statement of comprehensive loss pursuant to the modified vesting schedule.

(c) 2020 employee incentive plan

On 1 March 2020, the board of Directors passed a resolution to adopt 2020 employee incentive plan ("2020 Plan"). The restricted shares and share options granted under the 2020 Plan are as follows:

(i) On 1 March 2020, 608,205 restricted shares were granted to certain employees of the Group at a consideration of RMB0.1 per share. The Group records the expenses arising from 2020 Plan in the consolidated statement of comprehensive loss pursuant to the agreed vesting schedule from March 2020 to March 2025.

The fair value of the restricted shares granted is RMB28.03 per share at the grant date, which has been valued by an independent qualified valuer using back-solve method.

(ii) On 16 July 2020, 1,200,000 share options of Willgenpharma Ltd, an employee incentive platform of the Company, were granted to 2 employees, and each 25% of the share options granted will be vested on the 2nd, 3rd, 4th and 5th year anniversary of the grant date, respectively. The share options vested shall become exercisable commencing from the 5th year anniversary of the grant date, and after the exercise of share options, each grantee will indirectly hold ordinary shares of the Company.

The exercise price of these options is USD0.0001 per ordinary share and shall be adjusted to USD4.00 per ordinary share retroactively if these entire options are not fully vested.

The fair value of the share options granted on the grant date, has been valued to be USD2.34 per share when the exercise price is USD4.00 per share, and USD4.04 per share when the exercise price is USD0.0001 per share, by an independent qualified valuer using binomial model.

Notes to the Consolidated Financial Statements

27 SHARE-BASED PAYMENTS (Continued)

(c) 2020 employee incentive plan (Continued)

(iii) On 20 July 2020, 50,000 restricted shares were granted to an individual and vested immediately. On the same day, 388,000 restricted shares were granted to the founders of the Company, and each one third of the restricted shares granted will be vested on the 1st, 2nd and 3rd year anniversary of the grant date, respectively. The exercise price of 198,000 restricted shares granted is USD0.0001 per ordinary share, and the exercise price of 240,000 restricted shares granted is RMB0.1 per ordinary share.

The fair value of these restricted shares is USD4.04 per share at the grant date, which has been valued by an independent qualified valuer using back-solve method.

The number of shares granted mentioned above under Modification of 2017 Plan (Note 27(b)) and 2020 Plan((Notes 27(c)(i), 27(c)(ii) and 27(c)(iii)) are modified, as a result of the Capitalisation Issue (Note 25). The modifications mentioned above did not result in any incremental fair value granted.

(iv) On 14 September 2021, 300,000 restricted shares were granted to an individual, and each one fourth of 250,000 restricted shares will be vested on each 29 September for the next four years, and 50,000 restricted shares will be vested on the 5th year anniversary of the grant date if a non-market performance vesting condition is met. The exercise price of 300,000 restricted shares granted is RMB0.02 per ordinary share.

The fair value of these restricted shares is HKD21.55 per share at the grant date, which was the Company's then share price.

(v) On 8 October 2021, a grantee under the 2020 Plan resigned from the Group, and 375,000 unvested restricted shares were forfeited correspondingly.

(d) 2021 employee incentive plan

On 31 August 2021, the board of Directors passed a resolution to adopt 2021 employee incentive plan ("2021 Plan"). As at 31 December 2021, no share has been granted under the 2021 Plan.

(e) Expenses arising from share-based payment transactions

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
2017 Plan and Modification of 2017 Plan	**743**	4,825
2020 Plan	**18,706**	14,831
	19,449	19,656

As at 31 December 2021, the accumulated expenses arising from share-based payment transactions amounting to RMB120,177,000 are recognised in the share-based compensation reserve (2020: RMB100,728,000).

Notes to the Consolidated Financial Statements

28 CASH (USED IN)/GENERATED FROM OPERATIONS

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Loss before income tax	**(301,187)**	(1,513,677)
Adjustments for:		
– Depreciation of property, plant and equipment	**6,265**	5,735
– Amortisation of intangible assets	**475**	107
– Depreciation of right-of-use assets	**4,051**	2,546
– Investment income on wealth management products	**–**	(686)
– Fair value changes in financial instruments with preferred rights	**–**	1,694,435
– Fair value changes in long-term investments measured at fair value through profit or loss	**(193)**	–
– Finance income – net	**(18,197)**	(1,647)
– Share-based compensation expenses	**19,449**	19,656
– Net foreign exchange losses	**27,263**	31,749
– Net fair value gains on derivative financial instruments	**(9,275)**	(784)
Changes in working capital:		
– Contract assets	**106,494**	(171,413)
– Other receivables and prepayments	**(17,463)**	(16,523)
– Trade payables	**22,766**	15,544
– Other payables and accruals	**(160)**	13,098
– Deferred income	**(3,237)**	(1,351)
Cash (used in)/generated from operations	**(162,949)**	76,789

Notes to the Consolidated Financial Statements

28 CASH (USED IN)/GENERATED FROM OPERATIONS (Continued)

Changes in liabilities from financing activities are shown below:

	Other payables (non-trade) *RMB'000*	Lease liabilities *RMB'000*	Financial instruments with preferred rights *RMB'000*	Total *RMB'000*
As at 1 January 2020	(12,478)	(19,831)	(770,265)	(802,574)
Cash used in/(generated from) changes in liabilities	12,721	9,593	(182,497)	(160,183)
Fair value changes	–	–	(1,699,909)	(1,699,909)
Interest costs *(Note 10)*	(243)	(980)	–	(1,223)
COVID-19-related rent concessions	–	986	–	986
Conversion of preferred shares to ordinary shares	–	–	2,652,671	2,652,671
As at 31 December 2020	–	(10,232)	–	(10,232)
As at 1 January 2021	**–**	**(10,232)**	**–**	**(10,232)**
Cash used in changes in liabilities	**–**	**11,882**	**–**	**11,882**
New leases *(Note 15)*	**–**	**(7,889)**	**–**	**(7,889)**
Interest costs *(Note 10)*	**–**	**(568)**	**–**	**(568)**
As at 31 December 2021	**–**	**(6,807)**	**–**	**(6,807)**

Notes to the Consolidated Financial Statements

29 BALANCE SHEET AND STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

Balance sheet of the Company

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
ASSETS		
Non-current assets		
Investments in subsidiaries	**857,078**	736,628
Long-term investments measured at fair value through profit or loss	**16,228**	–
Derivative financial instruments	**2,856**	–
Total non-current assets	**876,162**	736,628
Current assets		
Other receivables	**174,243**	171,768
Cash and bank balances	**1,304,172**	1,320,167
Total current assets	**1,478,415**	1,491,935
Total assets	**2,354,577**	2,228,563
SHAREHOLDERS' EQUITY		
Share capital	**510**	502
Other reserves	**4,225,488**	4,092,665
Share-based compensation reserve	**120,177**	100,728
Accumulated losses	**(1,993,558)**	(1,983,975)
Total shareholders' equity	**2,352,617**	2,209,920
LIABILITIES		
Current liabilities		
Other payables and accruals	**1,960**	18,643
Total liabilities	**1,960**	18,643
Total equity and liabilities	**2,354,577**	2,228,563

The financial statements of the Company were approved by the board of Directors on 22 March 2022 and were signed on its behalf

Yinxiang Wang	**Xiaojie Wang**
Name of director	*Name of director*

Notes to the Consolidated Financial Statements

29 BALANCE SHEET AND STATEMENT OF CHANGES IN EQUITY OF THE COMPANY (Continued)

Statement of changes in equity of the Company

	Share capital *RMB'000*	Other reserves *RMB'000*	Share-based compensation reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
Balance at 1 January 2021	**502**	**4,092,665**	**100,728**	**(1,983,975)**	**2,209,920**
Comprehensive loss					
Loss for the year	**–**	**–**	**–**	**(9,583)**	**(9,583)**
Transactions with owners					
Share-based payments	**–**	**–**	**19,449**	**–**	**19,449**
Exercise of over-allotment option	**8**	**132,823**	**–**	**–**	**132,831**
Balance at 31 December 2021	**510**	**4,225,488**	**120,177**	**(1,993,558)**	**2,352,617**
Balance at 1 January 2020	30	325,509	81,072	(224,428)	182,183
Comprehensive loss					
Loss for the year	–	–	–	(1,747,687)	(1,747,687)
Changes in fair value of financial instruments with preferred rights due to own credit risk	–	(5,474)	–	–	(5,474)
Transactions with owners					
Contributions from shareholders	31	17,150	–	–	17,181
Share-based payments	–	–	19,656	–	19,656
Conversion of preferred shares to ordinary shares	31	2,664,500	–	(11,860)	2,652,671
Capitalisation Issue	347	(347)	–	–	–
Shares issued upon global offering	63	1,091,327	–	–	1,091,390
Balance at 31 December 2020	502	4,092,665	100,728	(1,983,975)	2,209,920

Notes to the Consolidated Financial Statements

30 COMMITMENTS

(a) Capital commitments

The following is the details of capital expenditure contracted for but not provided in the consolidated financial statements.

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Contracted but not provided for		
– Property, plant and equipment	**3,782**	462
– Investments (i), (ii)	**148,453**	–
	152,235	462

(i) The Company, among other investors, entered into the Share Purchase Agreement with Hebecell, pursuant to which the Company has agreed to purchase and subscribe for 1,189,132 series A preferred shares of Hebecell at a fixed purchase price of USD18.9213 per share in the 2nd and the 3rd closing of the transaction at a total consideration of USD22,500,000 (approximately equivalent to RMB143,453,000) (Note 16(a)).

(ii) The Company entered into a Share Purchase Agreement on 31 December 2021 with GenEditBio Limited, pursuant to which the Company has agreed to purchase and subscribe for 1,666,667 Series Angel Preferred Shares at a total consideration of USD784,000 (approximately equivalent to RMB5,000,000).

(iii) Capital commitments related to the new-drug research and development base (the "Base")

In September 2019, the Group entered into an agreement with Beijing Economic-Technological Development Area Administration Commission on a total capital expenditure of no less than RMB140 million for the Base. The capital expenditure is expected to be incurred from 2022 to 2025.

In October 2021, the Group entered into a lease contract with Beijing Yizhuang Shengyuan Investment and Development Group Co., Ltd.(the "Lease Contract"), pursuant to which the Group has agreed to lease the Base for 10 years from March 2022 with an aggregate lease payment of approximately RMB162 million.

Accompanying with the Lease Contract, the Group has given a performance guarantee secured by a retention deposit of RMB4,000,000(Note 19) in December 2021.

Notes to the Consolidated Financial Statements

30 COMMITMENTS (Continued)

(b) Operating lease commitments

As at 31 December 2021 and 2020, the future aggregate minimum lease payment for short-term lease and low-value lease under irrevocable lease contracts are as follows:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Less than 1 year	**3,873**	3,382

31 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family member of the Group are also considered as related parties.

(a) Name and relationship with related parties

Name of related party	Nature of relationship
Hebecell	Associate of the Group

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the year ended 31 December 2021 and 2020.

Notes to the Consolidated Financial Statements

31 RELATED PARTY TRANSACTIONS (Continued)

(b) Key management compensation

Key management includes directors and senior management. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Salaries and other short-term employee benefits	**12,923**	12,450
Share-based compensation expenses	**12,672**	7,990
	25,595	20,440

(c) Transactions with other related parties

The following transactions occurred with related parties:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Provide consulting services		
Hebecell	**735**	–

(d) Year end balances with related parties

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Other receivables from related parties		
Hebecell	**708**	–

Notes to the Consolidated Financial Statements

32 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation for the year ended 31 December 2021 and 2020 are set out as follows:

	Emoluments paid or receivable in respect of a person's services as a director					
	Fees *RMB'000*	Salaries *RMB'000*	Discretionary Bonuses(vii) *RMB'000*	Share-based compensation expenses *RMB'000*	Employer's social security costs *RMB'000*	Total *RMB'000*
Year ended 31 December 2021						
Yinxiang Wang* (i)	–	2,008	480	1,862	130	4,480
Xiaojie Wang (i)	–	1,396	480	1,406	–	3,282
Shaojing Hu (i) (vi)	–	433	–	718	54	1,205
Yunyan Hu (i)	–	1,316	480	1,061	130	2,987
Te-Li Chen (ii)	–	–	–	–	–	–
Yanmin Tang (ii)	–	–	–	–	–	–
Ting Feng (ii) (vi)	–	–	–	–	–	–
Dong Lyu (iii)	–	–	–	–	–	–
Ruilin Song(iv)	400	–	–	–	–	400
Ge Wu (iv)	200	–	–	–	–	200
Daqing Cai (iv)	–	–	–	–	–	–
Xiaoming Wu (iv) (vi)	200	–	–	–	–	200
	800	5,153	1,440	5,047	314	12,754

Notes to the Consolidated Financial Statements

32 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

	Emoluments paid or receivable in respect of a person's services as a director					
	Fees *RMB'000*	Salaries *RMB'000*	Discretionary Bonuses(vii) *RMB'000*	Share-based compensation expenses *RMB'000*	Employer's social security costs *RMB'000*	Total *RMB'000*
Year ended 31 December 2020						
Yinxiang Wang* (i)	–	1,220	1,700	1,108	74	4,102
Xiaojie Wang (i)	–	844	900	865	30	2,639
Shaojing Hu (i)	–	1,014	400	427	74	1,915
Yunyan Hu (i)	–	781	900	659	74	2,414
Te-Li Chen (ii)	–	–	–	–	–	–
Yanmin Tang (ii)	–	–	–	–	–	–
Ting Feng (ii)	–	–	–	–	–	–
Chao Han (ii), (iii)	–	–	–	–	–	–
Dong Lyu (iii)	–	–	–	–	–	–
Ruilin Song(iv)	–	–	–	–	–	–
Ge Wu (iv)	–	–	–	–	–	–
Daqing Cai (iv)	–	–	–	–	–	–
Xiaoming Wu (iv)	–	–	–	–	–	–
Wenlai Zhou (v)	–	518	583	–	48	1,149
Wei Long (v)	150	–	480	1,421	–	2,051
Qingqing Yi (v)	–	–	–	–	–	–
Su-chi Wang (v)	–	–	–	–	–	–
Weidong Lin (v)	–	–	–	–	–	–
Guoyao Xia (v)	–	–	–	–	–	–
	150	4,377	4,963	4,480	300	14,270

* *Chairman of the board of Directors*

(i) In August 2020, Yinxiang Wang, Xiaojie Wang, Shaojing Hu and Yunyan Hu were re-designated as executive directors of the Company.

(ii) In February 2020, Ting Feng was designated as a director of the Company. In August 2020, Yanmin Tang and Ting Feng were re-designated as non-executive directors of the Company, and Te-Li Chen and Chao Han were designated as non-executive directors of the Company.

(iii) In November 2020, Chao Han resigned as a non-executive director of the Company, and Dong Lyu was designated as a non-executive director of the Company.

(iv) In December 2020, Ruilin Song, Ge Wu, Daqing Cai and Xiaoming Wu were designated as independent non-executive directors.

(v) In February 2020, Guoyao Xia resigned as a director of the Company. In August 2020, Wenlai Zhou, Wei Long, Qingqing Yi, Su-chi Wang and Weidong Lin resigned as directors of the Company.

(vi) Each of Shaojing Hu, Ting Feng and Xiaoming Wu has resigned from their positions as an executive director, a non-executive director and an independent non-executive director of the Company, respectively, with effect from 22 March 2022.

(vii) During the year ended 31 December 2021 and 2020, discretionary bonuses are determined with reference to the performance of the relevant director and based on the human resources related government grants received.

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the year ended 31 December 2021 and 2020.

Notes to the Consolidated Financial Statements

32 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year ended 31 December 2021 and 2020.

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

There were no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the year ended 31 December 2021 and 2020.

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

No significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2021 and 2020.

(f) Five highest paid individuals

For the years ended 31 December 2021 and 2020, the five individuals whose emoluments were the highest in the Group include 4 and 4 directors, whose emoluments are reflected in the analysis presented in Note 32 (a). The emoluments payable to the remaining individuals were as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Basic salaries, other allowances and benefits in kind	**3,402**	1,882
Contribution to pension scheme	**92**	–
Discretionary bonus	**322**	151
Share-based compensation expenses	**7,625**	3,510
	11,441	5,543

The remaining highest paid individuals fell within the following bands:

	Year ended 31 December	
	2021	2020
Emolument bands		
HKD5,000,001 – HKD7,000,000	**–**	1
HKD7,000,001 – HKD9,000,000	**–**	–
HKD9,000,001 – HKD10,000,000	**–**	–
HKD10,000,001 – HKD13,000,000	**–**	–
HKD13,000,001 – HKD15,000,000	**1**	–
	1	1

Notes to the Consolidated Financial Statements

33 SUBSIDIARIES

The following is a list of the principal subsidiaries as at 31 December 2021:

Name of subsidiaries	Place of incorporation and kind of legal entity	Principal activities and place of operation	Registered/Issued share capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2021	2020	**2021**	2020
Directly held:							
JACOBIO (HK) PHARMACEUTICALS CO., LIMITED	Hong Kong, corporation	Investing holding, Hong Kong	10,000 shares of par value HKD1.00	**100.00%**	100.00%	**–**	–
Indirectly held:							
Beijing Jacobio	the PRC, limited liability company*	Research and development of new drugs,the PRC	RMB250,000,000	**100.00%**	100.00%	**–**	–
Jacomab Pharmaceuticals Co., Ltd. (i)	the PRC, limited liability company*	Research and development of new drugs,the PRC	RMB5,400,000	**100.00%**	100.00%	**–**	–
JACOBIO (US) PHARMACEUTICALS, INC.	U.S., corporation	Research and development of new drugs,U.S.	5,000 shares of par value USD1.00	**100.00%**	100.00%	**–**	–

* Registered as a wholly foreign owned enterprise under PRC law

(i) Investments in subsidiaries

The Company's subsidiaries are unlisted companies and the investments in subsidiaries are accounted for at cost.

Significant restrictions

Cash and cash equivalents of RMB214,606,000 (2020: RMB304,050,000) are held in China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

34 SUBSEQUENT EVENTS

(i) The Company entered into a share purchase agreement on 31 December 2021 with GenEditBio Limited, pursuant to which the Company has agreed to purchase and subscribe for 1,666,667 Series Angel Preferred Shares at a total consideration of USD784,000 (approximately equivalent to RMB5,000,000). This transaction has been completed in January 2022.

Four-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last four financial years, as extracted from the audited financial information and financial statements is set out below:

CONSOLIDATED STATEMENT OF LOSS

	For the Year Ended December 31,			
	2018	2019	2020	**2021**
	RMB'000	*RMB'000*	*RMB'000*	***RMB'000***
Revenue	–	–	486,286	**152,809**
Cost of revenue	–	–	(44,115)	**(139,979)**
Research and development expenses	(84,887)	(138,976)	(185,952)	**(280,838)**
Administrative expenses	(22,786)	(71,081)	(53,838)	**(44,578)**
Loss for the year	(155,935)	(425,817)	(1,513,677)	**(301,187)**
Total comprehensive loss for the year	(156,132)	(431,477)	(1,519,120)	**(301,392)**

CONSOLIDATED BALANCE SHEET

	As at December 31,			
	2018	2019	2020	**2021**
	RMB'000	*RMB'000*	*RMB'000*	***RMB'000***
Current assets				
Contract assets	–	–	171,413	**64,919**
Other receivables and prepayments	4,198	3,746	15,743	**32,675**
Derivative financial instruments	–	–	784	**4,550**
Cash and bank balances	420,833	314,338	1,627,408	**1,537,583**
Current liabilities				
Trade payables	9,002	12,737	28,281	**51,047**
Other payables and accruals	8,963	23,960	37,376	**24,868**
Lease liabilities	–	9,024	8,221	**4,918**
Net current assets	407,066	272,363	1,741,470	**1,558,894**
Non-current assets	48,565	45,243	52,002	**82,107**
Non-current liabilities	552,876	787,684	7,272	**3,913**
Net (liabilities)/assets	(97,245)	(470,078)	1,786,200	**1,637,088**
Shareholders' (deficit)/equity	(97,245)	(470,078)	1,786,200	**1,637,088**

Definitions and Glossary

"2022 AGM"	the annual general meeting of the Company to be held on Wednesday, June 8, 2022
"AbbVie"	AbbVie Ireland Unlimited Company, incorporated on July 19, 2020 in Ireland, which is a wholly-owned subsidiary of AbbVie Inc. (NYSE: ABBV) and an Independent Third Party
"Administrator"	Ms. Xiaojie WANG and Ms. Yunyan HU, directors of the Company, or a person designated by Ms. Xiaojie WANG and Ms. Yunyan HU
"AML"	acute myeloid leukemia, a type of cancer that progresses rapidly and aggressively, and affects the bone marrow and blood
"Articles of Association"	articles of association of the Company
"Award"	the grant of a RSU, Restricted Share or other right or benefit granted or sold under the Plan
"Audit Committee"	the audit committee of the Board
"Beijing Jacobio"	Jacobio Pharmaceuticals Co., Ltd. (北京加科思新藥研發有限公司), a limited liability company incorporated under the laws of PRC on July 17, 2015, being an indirect wholly-owned subsidiary of our Company
"BET"	bromodomain and extra-terminal; BET proteins interact with acetylated lysine residues in histone to regulate gene expression, and promote aberrant expression of many oncogenes such as MYC, CCND1, and BCL2L1
"Blesspharma Ltd"	a limited company incorporated in the BVI on July 27, 2020, which is an employee incentive platform of our Company
"Board"	the board of Directors
"CD73"	ecto-5'-nucleotidase, a surface-expressed enzyme that hydrolyzes AMP into adenosine. CD73 is an immunosuppressive molecule that can be therapeutically targeted to restore effector T-cell function
"CDE"	the Center for Drug Evaluation of China
"China" or "PRC"	the People's Republic of China

Definitions and Glossary

"Company" or "our Company"	JACOBIO PHARMACEUTICALS GROUP CO., LTD. (加科思藥業集團有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on June 1, 2018, which was formerly known as JACOBIO (CAY) PHARMACEUTICALS CO., LTD., the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1167)
"Concert Parties"	refers to Dr. Wang, Dr. Hu, Ms. Wang, Ms. Hu, Dr. Wang's SPV 1, Dr. Wang's SPV 2, Dr. Hu's SPV, Ms. Wang's SPV, Ms. Hu's SPV and ESOP Platforms; and "Concert Party" means any one of them
"Core Product(s)"	has the meaning ascribed thereto in Chapter 18A of the Listing Rules, which for purposes of this annual report, refers to JAB-3068
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to the Concert Parties
"Corporate Governance Code" or "CG Code"	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"CRC"	colorectal cancer
"CRPC"	castration-resistant prostate cancer
"Director(s)"	director(s) of our Company
"Dr. Hu"	Dr. Shaojing Hu (胡邵京), our executive Director who resigned with effect from March 22, 2022, and one of our Controlling Shareholders
"Dr. Hu's SPV"	Emmanuelhupharma Ltd, a limited liability company incorporated under the laws of the BVI which is wholly owned by Dr. Shaojing Hu
"Dr. Wang"	Dr. Yinxiang Wang (王印祥), our executive Director, Chief Executive Officer, Chairman of our Board and one of our Controlling Shareholders
"Dr. Wang's SPV 1"	Yakovpharma Ltd, a limited liability company incorporated under the laws of the BVI which is wholly owned by Dr. Yinxiang Wang
"Dr. Wang's SPV 2"	Johwpharma Ltd, a limited liability company incorporated under the laws of the BVI which is indirectly wholly owned by Dr. Yinxiang Wang and Ms. Zhu Shen, the spouse of Dr. Wang
"EGFR"	epidermal growth factor receptor

Definitions and Glossary

"Employee"	any person, who is in the employ of our Company or any Related Entity and is manager level or above, or considered essential for our Company's development by the Company's management team, subject to the control and direction of our Company or any Related Entity as to both the work to be performed and the manner and method of performance. The payment of a director's fee by our Company or a Related Entity shall not be sufficient to constitute "employment" by our Company.
"ESCC"	esophageal squamous cell carcinoma, a high-mortality cancer with complex etiology and progression involving both genetic and environmental factors
"ESOP Platforms"	Willgenpharma Ltd, Gloryviewpharma Ltd, Honourpharma Ltd and Blesspharma Ltd
"FPI"	First-Patient-In
"Global Offering	the offer of Shares for subscription as described in the Prospectus
"GLP-tox"	GLP-compliant toxicity study
"GMP"	good manufacturing practice
"GMP API"	GMP-compliant active pharmaceutical ingredients
"Grantee"	an Employee who receives an Award under the Plan
"Group", "our Group", "we", "us" or "our"	our Company and all of its subsidiaries, or any one of them as the context may require or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it
"Hebecell"	Hebecell Holding Limited, an exempted company incorporated with limited liability under the Laws of the Cayman Islands
"HNSCC"	head and neck squamous cell carcinoma
"Hong Kong dollars" or "HK dollars" or "HK$" or "HKD"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"IND"	investigational new drug or investigational new drug application, also known as clinical trial application in China

Definitions and Glossary

"Independent Third Party"	a person or entity who is not a connected person of our Company under the Listing Rules
"Jacobio HK"	JACOBIO (HK) PHARMACEUTICALS CO., LIMITED (加科思(香港)藥業有限公司), a limited liability company incorporated under the laws of Hong Kong on July 3, 2018, being a direct wholly-owned subsidiary of our Company
"Jacobio US"	JACOBIO (US) PHARMACEUTICALS, INC., a limited liability company incorporated under the laws of the State of Delaware on December 20, 2018, being an indirect wholly-owned subsidiary of our Company
"Jacomab"	Jacomab Pharmaceuticals Co., Ltd. (北京加科天實新藥研發有限公司), a limited liability company incorporated under the laws of PRC on December 7, 2016, being an indirect wholly-owned subsidiary of our Company
"KRAS G12X-mutant"	Multiple mutant forms at codon-12 of the KRAS protein
"Listing"	the listing of our Company on the main board of the Stock Exchange on December 21, 2020
"Listing Date"	December 21, 2020, being the date on which the Offer Shares were listed and dealings in the Offer Shares first commenced on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange
"MEK"	mitogen-activated protein kinase kinase (also known as MAPKK), a kinase enzyme which phosphorylates MAPK
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Ms. Hu"	Ms. Yunyan Hu (胡雲雁), our executive Director, Senior Vice President and one of our Controlling Shareholders

Definitions and Glossary

"Ms. Hu's SPV"	Hmed Ltd, a limited liability company incorporated under the laws of the BVI which is wholly owned by Ms. Yunyan Hu
"Ms. Wang"	Ms. Xiaojie Wang (王曉潔), our executive Director, President of Administration and one of our Controlling Shareholders
"Ms. Wang's SPV"	Risepharma Ltd, a limited liability company incorporated under the laws of the BVI which is wholly owned by Ms. Xiaojie Wang
"NF1"	a gene located on chromosome 17, which produces a protein called neurofibromin that helps regulate cell growth. The mutated NF1 gene causes a loss of neurofibromin, which allows uncontrolled cells grow
"NMC"	a rare type of cancer that forms in the respiratory tract and other places along the middle of the body, from the head to the abdomen
"NMPA"	the National Medical Product Administration of the PRC (國家藥品監督管理局), successor to the China Food and Drug Administration or CFDA (國家食品藥品監督管理總局)
"Nomination Committee"	the nomination committee of the Board
"NSCLC"	non-small cell lung cancer
"PD-1"	programmed cell death protein 1, an immune checkpoint receptor expressed on T cells, B cells and macrophages. The normal function of PD-1 is to turn off the T cell-mediated immune response as part of the process that stops a healthy immune system from attacking other pathogenic cells in the body. When PD-1 on the surface of a T cell attaches to certain proteins on the surface of a normal cell or a cancer cell, the T cell turns off its ability to kill the cell
"PD-(L)1"	PD-1 ligand 1, which is a protein on the surface of a normal cell or a cancer cell that attaches to certain proteins on the surface of the T cell that causes the T cell to turn off its ability to kill the cancer cell
"Phase I"	study in which a drug is introduced into healthy human subjects or patients with the target disease or condition and tested for safety, dosage tolerance, absorption, metabolism, distribution, excretion, and if possible, to gain an early indication of its effectiveness

Definitions and Glossary

"Phase Ib/IIa"	Phase Ib/IIa is the study that tests the safety, side effects, and best dose of a new treatment. It is conducted in target patient popular with selected dose levels. Phase Ib/IIa study also investigates how well a certain type of disease responds to a treatment. In the phase IIa part of the study, patients usually receive multiple dose levels and often include the highest dose of treatment that did not cause harmful side effects in the phase Ia part of the study. Positive results will be further confirmed in a Phase IIb or Phase III study
"Phase II"	study in which a drug is administered to a limited patient population to identify possible adverse effects and safety risks, to preliminarily evaluate the efficacy of the product for specific targeted diseases, and to determine dosage tolerance and optimal dosage
"Plan"	the 2021 Stock Incentive Plan adopted by the Board on August 31, 2021 in its present form or as amended from time to time
"Prospectus"	the prospectus of our Company dated December 9, 2020 being issued in connection with the Listing
"R&D"	research and development
"RAS"	a low-molecular-weight GDP/GTP-binding guanine triphosphatase, which is a prototypical member of the small-GTPase superfamily
"Register of Members"	the register of members of the Company
"Related Entity"	any Parent or Subsidiary of the Company and any business, corporation, partnership, limited liability company or other entity in which the Company or a Parent or a Subsidiary of the Company holds a substantial ownership interest, directly or indirectly
"Remuneration Committee"	the remuneration committee of the Board
"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC
"Reporting Period"	the year ended December 31, 2021
"Restricted Share"	a Share awarded to a Grantee pursuant to an Award Agreement granted under the Plan
"RSU"	means a grant of a hypothetical number of Shares, to be settled upon vesting in Shares

Definitions and Glossary

"RP2D"	recommended Phase II dose
"SCLC"	small cell lung cancer
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
"Share(s)"	ordinary share(s) with a nominal value of US$0.0001 each in the share capital of our Company
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"U.S."	The United States of America
"U.S. dollars", "US$" or "USD"	United States dollars, the lawful currency of the United States
"U.S. FDA"	U.S. Food and Drug Administration