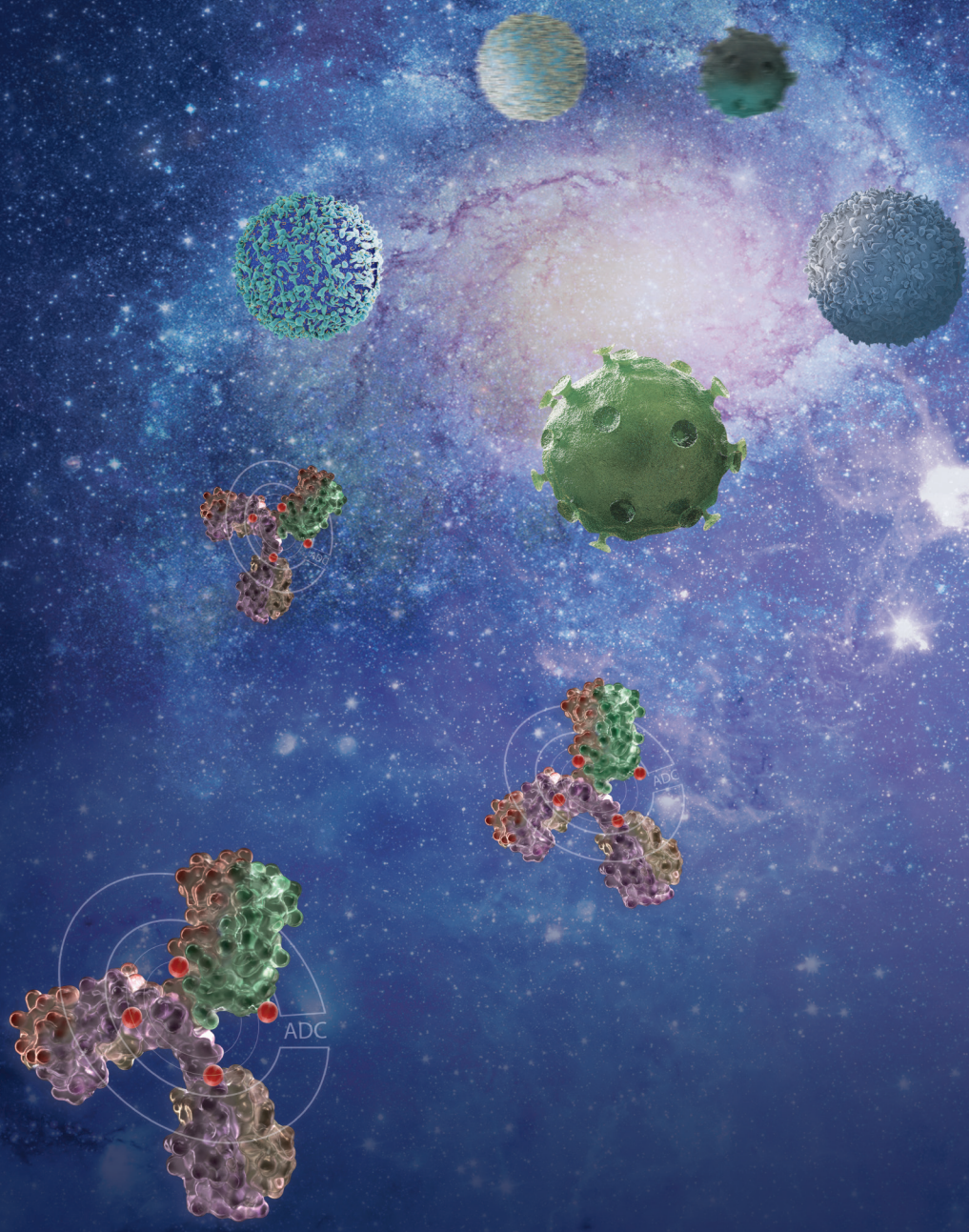
乐普生物
LEPU BIOPHARMA

樂普生物科技股份有限公司
LEPU BIOPHARMA CO.,LTD.

(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code: 2157

2021
Annual Report



CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Dr. Pu Zhongjie (蒲忠傑) *(Chairman)*
Dr. Sui Ziye (隋滋野) *(Chief Executive Officer)*
Dr. Hu Chaohong (胡朝紅) *(Co-Chief Executive Officer)*

NON-EXECUTIVE DIRECTORS

Ms. Pu Jue (蒲珏)
Mr. Yang Hongbing (楊紅冰)
Mr. Lin Xianghong (林向紅)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhou Demin (周德敏)
Mr. Yang Haifeng (楊海峰)
Mr. Fengmao Hua (華風茂)

SUPERVISORS

Mr. Xu Yang (徐揚)
Mr. Yang Ming (楊明)
Mr. Wang Jiwei (王徫緯)

AUDIT COMMITTEE

Mr. Fengmao Hua (華風茂) *(Chairman)*
Mr. Yang Haifeng (楊海峰)
Ms. Pu Jue (蒲珏)

REMUNERATION AND APPRAISAL COMMITTEE

Mr. Yang Haifeng (楊海峰) *(Chairman)*
Mr. Fengmao Hua (華風茂)
Dr. Pu Zhongjie (蒲忠傑)

NOMINATION COMMITTEE

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Mr. Yang Haifeng (楊海峰)
Dr. Pu Zhongjie (蒲忠傑)

STRATEGY COMMITTEE

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Dr. Sui Ziye (隋滋野)
Mr. Zhou Demin (周德敏)

JOINT COMPANY SECRETARIES

Ms. Li Yunyi (李昀軼)
Ms. Lai Siu Kuen (黎少娟) *(FCG, HKFCG)*

AUTHORIZED REPRESENTATIVES

Dr. Pu Zhongjie (蒲忠傑)
Ms. Lai Siu Kuen (黎少娟) *(FCG, HKFCG)*

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STOCK CODE

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CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I would like to express my sincere gratitude to all shareholders for their continued trust and support. 2021 was a remarkable year as many clinical pipeline achieved progress and the Company also gained strong support in the capital market. We made significant progress in new drug research and development, corporate operation and organizational building, and the efficient execution and synergy of the team gradually manifested, laying a solid foundation for our future business development. We are hereby pleased to present the Company's annual report for the year ended December 31, 2021 to share our operating results for 2021 with our Shareholders.

Lepu Biopharma is innovation-driven and dedicated to discovering, developing, and commercializing first-in-class and best-in-class drug candidates in anti-tumor targeted therapy and oncology immunotherapy. The mission of the Company is to develop safe, effective and accessible drugs to enhance the life quality of patients and address unmet significant clinical needs in oncology therapeutics. Since its inception in 2018, the Company have established an integrated end-to-end platform and core competencies across drug discovery, clinical development, CMC and GMP-compliant manufacturing, encompassing all critical functions of the biopharmaceutical value chain. The Company also values the continuing build-out of its own commercialization capabilities, and is determined to pursue the goal towards strong transformation from core technology to drugs and industrialization.

During the year, Lepu Biopharma gained a strong support in the capital market. In April 2021, the Company completed the series C financing. On February 23, 2022, the Company was successfully listed on the Stock Exchange (stock code: 2157).

During the year, Lepu Biopharma made significant progress in Pucotenlimab ("HX008"). In June 2021, the Company has successfully filed an NDA of Pucotenlimab with the NMPA in melanoma. In October 2021, the Company also successfully filed an NDA of Pucotenlimab with the NMPA in MSI-H/dMMR solid tumors, and it was granted priority review. Meanwhile, the Company is conducting a Phase III clinical study of Pucotenlimab in combination therapy with irinotecan for the second-line therapy of GC.

During the year, several ADC products of Lepu Biopharma entered clinical Phase II trials in multiple indications. The Company obtained the consent notification from the NMPA in November 2021 to conduct a single-arm registrational trial of MRG002 in patients with advanced HER2 over-expressing BC and the first patient was enrolled in March 2022. The Company is conducting a Phase II clinical trial of MRG002 in patients with HER2-positive UC and a Phase II clinical trial in patients with HER2-low expressing BC. The Company is conducting a Phase II clinical studies of MRG003 (EGFR-targeted ADC) in patients with advanced HNSCC, advanced NPC and NSCLC.

Several novel ADCs of the Company are under the stage of Phase I clinical trials. The Company is conducting a Phase Ib dose expansion study of MRG001, a CD20-targeted ADC, in patients with NHL. In February 2021, the Company received an IND clearance of MRG004A (TF-targeted site-specifically conjugated ADC) from the FDA for Phase I/II clinical trials and are currently conducting the dose escalation clinical trial in the U.S.. The Company also received an IND approval of MRG004A from the NMPA in August 2021. CMG901 is the first CLDN18.2-targeted ADC to have received the IND approval in both China and the U.S., as well as the most clinically advanced anti-CLDN18.2 ADC. It is being co-developed by the Company and Keymed. Currently, patient enrollment is ongoing for the Phase I clinical trial of CMG901 in China.

CG0070 is an oncolytic adenovirus for the treatment of BCG failed bladder cancer patients and is currently in Phase III clinical study conducted by our partner, CG Oncology, in the U.S.. The Company in-licensed CG0070 from CG Oncology and were granted the rights to develop, manufacture and commercialize it in greater China including Mainland China, Hong Kong and Macau. The Company obtained an IND approval from the NMPA for a Phase I clinical trial of CG0070 in November 2021.

The Company received an IND approval from the NMPA for the combination therapy with MRG002 and Pucotenlimab in December 2021, and received an IND approval from the NMPA for the combination therapy of MRG003 and Pucotenlimab in January 2022.

FUTURE OUTLOOK

Looking forward to 2022, we expect to maintain the rapid growth momentum, march toward the commercialization stage, and will endeavor to accelerate the commercialization of our products pipeline. The Company will work towards obtaining the NMPA approval for launching and successfully commercializing Pucotenlimab for its treatment in melanoma and MSI-H/dMMR solid tumors. Meanwhile, the Company will accelerate the registrational trial of MRG002 and strive to advance MRG003 to the registrational trial stage. On the international development front, the Company will step up its efforts for expansion in the global market, proactively look for strategic partners, and conduct co-development, cooperation and licensing of new drugs around the world.

While the establishment of our sales and marketing team in China remains one of our key focuses, the Company will also keep up with formulating clear business strategies and preparing for commercialization. With our understanding of the Chinese market environment, the Company will map out our reasonable market access strategies to meet the market demand.

With the support of our shareholders, we will maintain the rapid growth momentum. While developing first-in-class and best-in-class drugs to address the unmet clinical needs of cancer patients, we will continue to create social and commercial value.

Lepu Biopharma Co., Ltd.
Dr. Pu Zhongjie
Chairman and Executive Director

April 25, 2022

MANAGEMENT DISCUSSION AND ANALYSIS

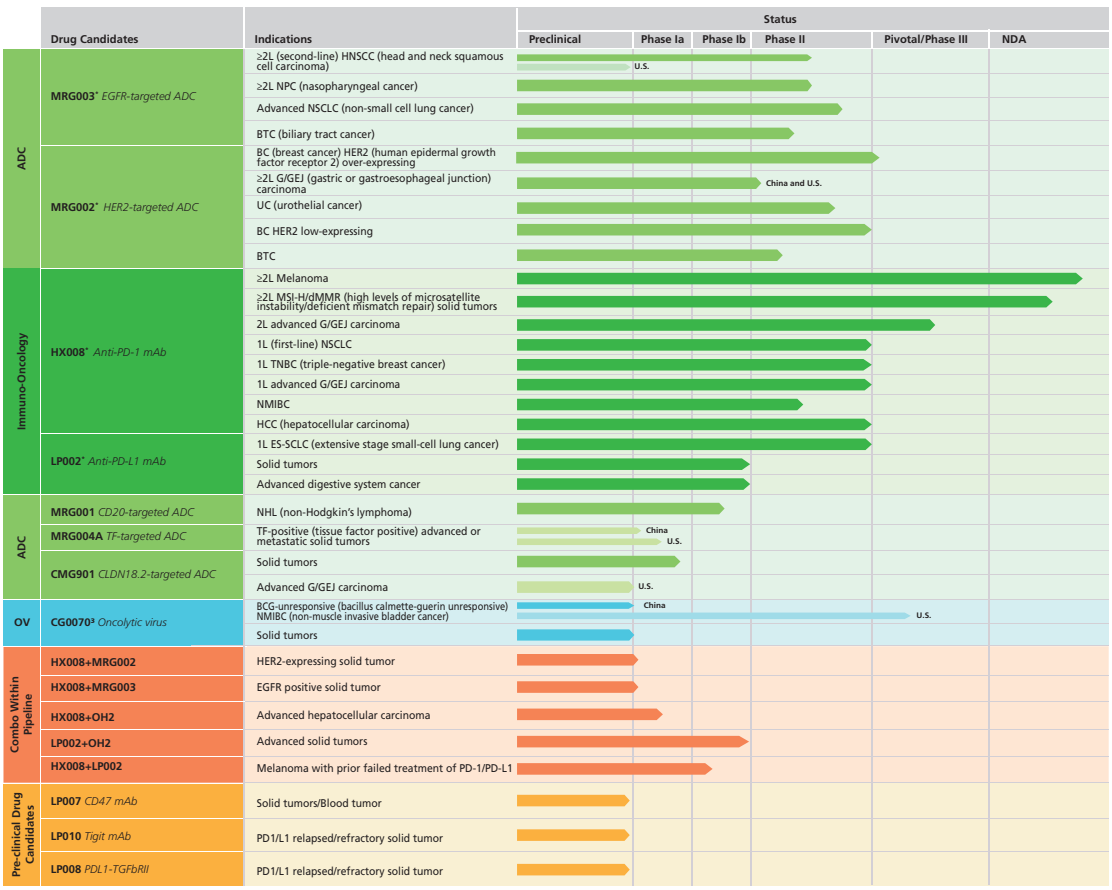
OVERVIEW

We are an innovation-driven biopharmaceutical company focusing on oncology therapeutics with a strong China foundation and global vision. Our mission is to become a leading innovative platform serving the unmet medical needs of cancer patients with first-in-class and best-in-class drugs. We endeavor to continuously develop a market-differentiating pipeline by combining in-house research and development and strategic collaborations, strengthen our in-house manufacturing capabilities and commercialize our pipeline products in China through dedicated sales and marketing forces and internationally via partnerships. Since our inception, we have established an integrated end-to-end platform across drug discovery, clinical development, CMC and GMP-compliant manufacturing, encompassing all critical functions of the biopharmaceutical value chain, and are building dedicated sales and marketing forces.

We have strategically designed our pipeline with a range of oncology products. We have (i) eight clinical-stage drug candidates, including one of them co-developed through a joint venture, (ii) three pre-clinical drug candidates, and (iii) five clinical-stage combination therapies of the candidates in our pipeline. Among the eight clinical-stage drug candidates, five are targeted therapeutics and three are immunotherapeutics, with two of the three being immune checkpoint drugs and one being oncolytic virus drug. We have initiated multiple clinical trials, amongst which two are ongoing in the U.S., and four have entered the stage of registrational trials in China. KYM, a joint venture formed by Keymed and our Group, is also conducting CMG901 clinical trials in the U.S..

PRODUCT PIPELINE

The following chart illustrates our pipeline and summarizes the development status of our clinical-stage and pre-clinical drug candidates:



Notes:

1. * denotes the Core Products.

2. Unless otherwise stated, the progress shown under the "Status" column refers to the clinical development progress of the relevant drug candidate and combination therapy in China.

3. The clinical trial of CG0070 in the U.S. is conducted by CG Oncology, a third-party business partner with whom we have a licensed-in arrangement to develop, manufacture and commercialize CG0070 in Mainland China.

BUSINESS REVIEW

The Company was successfully listed on the Stock Exchange on February 23, 2022. During the Reporting Period and up to the date of this annual report, the Company has made significant progress in its pipeline products and business operations to meet investor expectations. The following sets out the progress the Company has made during the Reporting Period.

MRG003

– MRG003 is an ADC comprised of an EGFR-targeted mAb conjugated with the potent microtublin disrupting payload MMAE via a vc linker. It binds specifically with high affinity to human EGFR on the surface of tumor cells, releases the potent payload upon internalization and lysosomal protease cleavage of the linker and results in tumor cell death.

– We completed the Phase Ib trial for MRG003 in March 2021, and we have initiated Phase II clinical trials of MRG003 in a variety of EGFR expressing cancer types in China. Currently, we are strategically focusing on clinical investigations for HNSCC and NPC, which have demonstrated promising efficacy and indicated potential to meet these particularly significant unmet medical needs. We are also exploring the potential efficacy of MRG003 in other prevalent cancer types with EGFR over-expression including NSCLC and BTC.

  - **HNSCC:** We are conducting an open-label, single-arm, multicenter Phase II clinical study of MRG003 with 54 patients enrolled as of December 31, 2021.

  - **NPC:** We are conducting an open-label, single-arm, multicenter Phase II clinical study of MRG003 with 33 patients enrolled as of December 31, 2021.

  - **Other indications:** We are also conducting Phase II clinical trials in patients with advanced NSCLC and BTC.

– **Warning under Rule 18A.08(3) of the Listing Rules:** There is no assurance that the MRG003 will ultimately be successfully developed and marketed by the Company. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

MRG002

– MRG002 is an innovative ADC targeting HER2, a molecular target abnormally overexpressed in many cancer types including BC, UC, GEJ and GC. Our clinical development strategy for MRG002 in China aims at realizing the efficacy potential of MRG002 in various prevalent malignancies, especially for second- or later-line systemic therapy of BC, UC and GC/GEJ. We are currently conducting clinical trials in aforementioned indications, including a registrational trial in HER2 over-expressing BC.

- **HER2 over-expressing BC:** Based on the combined favorable efficacy data of both Phase Ib and exploratory Phase II clinical trial in the patients with HER2 over-expressing advanced BC, we communicated with the NMPA regarding a registrational Phase II trial and we obtained a consent notification from NMPA on registrational trial of MRG002 in HER2 over-expressing advanced BC patients in November 2021. The trial has been initiated as of December 31, 2021.

- **UC:** We are conducting an open label, single-arm, multicenter Phase II trial of MRG002 in HER2-positive UC with 35 patients enrolled as of December 31, 2021.

- **HER2 low-expressing BC:** We are conducting an open-label, multicenter Phase II clinical trial in HER2 low-expressing BC with patient enrollment completed as of December 31, 2021 and treatments as well as follow up visits ongoing. We plan to initiate communication with the NMPA regarding potentially initiating a Phase III clinical trial.

- **GC:**

  - China: We are conducting an open-label, multicenter Phase II study of MRG002 in HER2-positive/low-expressing GC patients with enrollment ongoing as of December 31, 2021.

  - US: We obtained an IND clearance from the FDA for a Phase I/II clinical study of MRG002 in HER2-positive, locally advanced or metastatic GC/GEJ in May 2020. As of December 31, 2021, patient enrollment is ongoing in the U.S.

- **BTC:** We are conducting an open label, single-arm, multicenter Phase II clinical trial of MRG002 in HER2-positive BTC with patient enrollment ongoing as of December 31, 2021.

– **Warning under Rule 18A.08(3) of the Listing Rules**: There is no assurance that the MRG002 will ultimately be successfully developed and marketed by the Company. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

HX008

– HX008 is a humanized IgG4 mAb against human PD-1, which can antagonize the PD-1 signal to restore the capability of the immune cells to kill cancer cells through blocking PD-1 binding to their ligands PD-L1 and PD-L2. We have made significant progress on HX008 in 2021, where two indications including melanoma and MSI-H/dMMR solid tumors completed NDA submissions to the NMPA, which brings the Company closer to commercialization in the near future.

- **Melanoma:** We filed an NDA of HX008 in melanoma to the NMPA in June 2021.

- **MSI-H/dMMR solid tumors:** We filed an NDA of HX008 in MSI-H/dMMR solid tumors to the NMPA and it was granted priority review in October 2021.

- **GC in second-line therapy:** We are conducting a multi-center, randomized, double-blinded and placebo-controlled Phase III clinical study of HX008 in combination therapy with irinotecan. We have enrolled 278 patients as of December 31, 2021.

- **Other indications:** We have completed the enrollment and are in the follow-up period for Phase Ib clinical trial of HX008 in advanced solid tumors and for various Phase II clinical trials of HX008 in NSCLC, TNBC, first-line GC and HCC.

– **Warning under Rule 18A.08(3) of the Listing Rules**: There is no assurance that the HX008 will ultimately be successfully developed and marketed by the Company. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

LP002

– LP002 is a humanized anti-PD-L1 mAb with unique targeted epitope, which employs IgG1 isotype with aglycosylated mutation. It has demonstrated favorable safety and efficacy in clinical trials, which serves as the basis for the further development of combination therapies with standard of care chemotherapies.

- **ES-SCLC:** We are conducting a single-arm, open-label Phase II clinical study of LP002 in combination therapy with carboplatin and etoposide, and we have completed the patient enrollment as of December 31, 2021. Based on the encouraging efficacy data in ES-SCLC clinical study, we communicated with the NMPA regarding potentially initiating a Phase III clinical trial and obtained the approval in December 2021.

- **Advanced Digestive System Cancers:** We are conducting an open label, multi-center Phase Ib clinical study in patients with advanced digestive system cancers. Patient enrollment was completed as of December 31, 2021, and continued treatments and follow up visits are still being performed.

– **Warning under Rule 18A.08(3) of the Listing Rules:** There is no assurance that the LP002 will ultimately be successfully developed and marketed by the Company. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

Combination Therapies Involving our Core Products

We obtained an IND approval from the NMPA for the combination therapy of MRG002 and HX008 in December 2021.

Other Clinical-stage Drug Candidates

– **MRG001**: MRG001 is a clinically advancing CD20-targeted ADC to address medical needs of B-cell NHL patients with either primary drug resistance to rituximab or acquired drug resistance to the combination therapy of rituximab and standard chemotherapies. We have completed the Phase Ia dose escalation stage of MRG001 in China which has shown encouraging safety and efficacy results in February 2021. We are conducting the Phase Ib dose expansion study of MRG001 in China.

- **MRG004A**: MRG004A is a novel TF-targeted site-specifically conjugated ADC. We received an IND clearance of MRG004A from the FDA in February 2021 for a Phase I/II clinical trial and are currently conducting the dose escalation trial in the U.S.. We also received an IND approval of MRG004A from the NMPA in August 2021.

- **CG0070**: CG0070 is an oncolytic adenovirus for the treatment of BCG failed bladder cancer patients and is currently in Phase III clinical study conducted by our partner, CG Oncology, in the U.S.. We in-licensed CG0070 from CG Oncology and were granted the rights to develop, manufacture and commercialize it in greater China including Mainland China, Hong Kong and Macau. We obtained an IND approval from the NMPA for a Phase I trial of CG0070 in November 2021. The Phase I clinical trial has been initiated as of December 31, 2021.

- **CMG901:** CMG901 is a CLDN18.2-targeted ADC for the treatment of advanced GC/GEJ and pancreatic adenocarcinoma in which CLDN18.2 is highly expressed. It is the first CLDN18.2-targeted ADC to have received the IND approval in both China and the U.S., as well as the most clinically advanced anti-CLDN18.2 ADC. It is being co-developed by us and Keymed through a joint venture, KYM. Patient enrollment has been ongoing for the Phase I clinical trial of CMG901 in China as of December 31, 2021. The IND clearance was granted by the FDA in March 2021 for a multi-center, open-label Phase I clinical trial in the U.S. to evaluate the safety, tolerability, and pharmacokinetics of CMG901 in patients with advanced unresectable or metastatic G/GEJ carcinoma.

- **Warning under Rule 18A.08(3) of the Listing Rules**: There is no assurance that the MRG001, MRG004A, CG0070 and CMG901 will ultimately be successfully developed and marketed by the Company. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

Manufacturing Facilities

We have been operating a 2,000L GMP-compliant bioreactor production line at our Beijing manufacturing plant, and during the Reporting Period, given all of our products remained in the research and development stage, our manufacturing activities are mainly conducted in support of our clinical trials.

During the Reporting Period, we have also been building the phase one of the manufacturing facilities in the Shanghai Biotech Park, which has a designed total capacity of 12,000L and of which the first production line with a capacity of 6,000L is under construction. We have also been building a manufacturing facility for oncolytic virus products in Beijing with a designed capacity of 200L.

Commercialization

We are establishing our sales and marketing team dedicated to the commercialization of our pipeline products. Before we obtain the approval for treatment of our pipeline product HX008, we plan to establish a commercialization team comprising 50 to 100 members to engage in academic promotion, marketing, and commercialization.

With our team's expertise and rich networks, we will mainly rely on face-to-face and onsite marketing strategy focusing on direct and interactive communication with KOLs and doctors in the respective areas to promote the differentiating clinical aspects of our products. We expect the marketing efforts will commence before the expected approval for the commercialization of a drug candidate. For HX008, we have already contacted several cancer centers, hospitals, clinics, and doctors specializing in the relevant treatment and have started to visit the sites and medical professionals in person for pre-launch training and communication.

KEY EVENTS AFTER THE REPORTING PERIOD

(i) Listing of Shares of the Company on the Stock Exchange

On February 23, 2022, the Company was successfully listed on the Main Board of the Stock Exchange, in which 126,876,000 new H Shares (subject to over-allotment option) has been issued.

On March 17, 2022, as part of the Global Offering, the over-allotment option was partially exercised and the Company issued a total of 899,000 H Shares at HK$7.13 per H Share. The listing of and dealings in the over-allotment shares commenced on the Main Board of the Stock Exchange at 9:00 a.m. on March 22, 2022.

(ii) Key Developments of our Drug Candidates

Based on our substantial accumulated industry experience and in-depth insights in both oncology immunotherapy and targeted therapy, we believe that there is potential for combinations of immunotherapy and targeted therapeutics to achieve enhanced efficacy and/or balanced safety, and to overcome the drug resistance. We have strategically designed our pipeline targeting critical steps across the cancer immune cycle to unlock the great potential of anti-cancer immune response by combinations of these in-house developed therapeutics. We believe our combination therapies are expected to drive and strengthen the potential commercial value of our pipeline drug candidates and further expand our market share in the targeted therapeutic areas and address currently unmet medical needs for cancer patients.

We obtained IND clearance for HX008 in the U.S. in January 2022. We also achieved first patient in for MRG002 for HER2 over-expressing BC in March 2022. Furthermore, we obtained an IND approval from the NMPA for the combination therapy of MRG003 and HX008. We also plan to submit an IND for the combination therapy of CG0070 and HX008.

In April 2022, our drug candidate CMG901 (co-developed by us and Keymed) has been granted the Fast Track Designation for the treatment of relapsed/ refractory GC/ GEJ adenocarcinoma and received the Orphan-drug Designation from the FDA.

THE IMPACT OF COVID-19

Despite the outbreak of COVID-19, the management of the Company expected that clinical trials in and outside Mainland China will not be significantly affected. Based on the information available as of the date of this annual report, the Company believes that the outbreak of COVID-19 would not result in a material disruption to the Group's business operations or cause a material impact on the financial position or financial performance of the Group.

In response to the outbreak of COVID-19, we have taken various measures, including but not limited to reducing face-to-face meetings by means of telephone or video conferences, avoiding unnecessary travels and trips for interviews as well as providing face masks, hand sanitizers and other sanitation supplies to minimise the chance of the COVID-19 infection.

FUTURE DEVELOPMENT

The Company is an innovation-driven biopharmaceutical company with a strong Chinese root and global vision. We are dedicated to discovering, developing, and commercializing first-in-class and best-in-class drug candidates in anti-tumor targeted therapy and oncology immunotherapy in the U.S. and PRC. The mission and goal of the Company are to develop the safest, most effective, and most readily available drugs to enhance the life quality of patients and address unmet significant clinical needs in the medical system. The Company also values the continuing build-out of our own commercialization capabilities, and is determined to pursue the goal towards strong transformation from core technology to commercialized drugs.

Looking forward to 2022, we will endeavor to accelerate the commercialization of our products pipeline. The Company will work towards obtaining the NMPA approval for launching and successfully commercializing HX008 for its treatment in melanoma and MSI-H/dMMR solid tumors. Meanwhile, we will accelerate the development of two of our ADC products, being MRG002 and MRG003, to the registrational trial phase. MRG002 has entered the registrational trial phase for advanced breast cancer and completed the first patient enrollment. We expect to apply to the NMPA for the registrational trial of MRG002 in UC in China during the second quarter of 2022. In addition, we will also progress the registrational trial application for MRG003 in advanced HNSCC and NPC. On the international front, we will step up our efforts for expansion in the global market and progress the clinical trials of our innovative product MRG004A in the U.S.

While the establishment of our sales and marketing team in China remains one of our key focuses, we will also keep up with formulating clear business strategies and preparing for commercialization. With our solid understanding of the Chinese market environment, we expect that our market access strategies will be able to meet the market demand successfully.

FINANCIAL REVIEW

Revenue

For the years ended December 31, 2020 and 2021, the Group has not commercialized any products and therefore has not recorded any revenue.

Other Income

The Group's other income primarily consist of (i) investment income on financial assets at fair value through profit or loss, representing the interest we earn from structured deposits; (ii) government grants to support our research and development activities; and (iii) rental and related income.

Our other income increased from RMB8.0 million in 2020 to RMB10.6 million in 2021, primarily due to an increase in subsidies received from the government.

Administrative Expenses

Our administrative expenses primarily consist of (i) employee benefit expenses (mainly including wages, salaries and bonuses and share-based payment expenses) relating to our administrative staff; (ii) depreciation and amortization expenses, primarily representing depreciation expenses for right-of-use assets and property, plant and equipment; (iii) listing expenses; and (iv) others, mainly representing utilities as well as traveling and transportation expenses. Our administrative expenses increased from RMB93.8 million in 2020 to RMB156.2 million in 2021, primarily due to an increase in our employee benefit expenses in relation to our administrative staff from RMB33.4 million to RMB87.8 million resulting from an increase in the number of employees, their salaries as well as the share-based payment expenses, and listing expenses from nil to RMB31.3 million given the Company has been preparing for its listing on the Main Board of the Stock Exchange in 2021.

Research and Development Expenses

Our research and development expenses primarily consist of (i) clinical trial expenses, mainly in relation to our engagement of CROs, SMOs, CDMOs and hospitals; (ii) pre-clinical study costs; (iii) depreciation and amortization expenses for property, plant and equipment as well as amortization expenses for intangible assets such as intellectual properties; (iv) employee benefit expenses (mainly including wages, salaries and bonuses and share-based payment expenses) relating to our research and development staff; and (v) raw materials and consumables used, primarily representing expenses for procuring raw materials and consumables used in pre-clinical studies and clinical trials. Our research and development expenses increased from RMB354.4 million in 2020 to RMB791.2 million in 2021.

The following table sets forth the components of our research and development expenses for the years indicated.

	Year ended December 31,			
	2021		2020	
	RMB'000	**%**	RMB'000	%
Clinical trial expenses	**339,472**	**42.9**	146,938	41.5
Employee benefit expenses	**168,406**	**21.3**	48,214	13.6
Pre-clinical study costs	**136,784**	**17.3**	66,905	18.9
Depreciation and amortization	**77,612**	**9.8**	49,890	14.0
Raw material and consumables used	**51,139**	**6.5**	35,298	10.0
Others	**17,797**	**2.2**	7,182	2.0
Total	**791,210**	**100**	354,427	100

(i) Clinical trial expenses increased by RMB192.5 million, mainly due to the continuous development of our drug candidates;

(ii) Employee benefits expenses increased by RMB120.2 million, mainly due to an increase in the number of employees and an increase in their salaries as well as increase in the share-based payment expenses;

(iii) Pre-clinical study costs increased by RMB69.9 million, mainly due to the continuous development of our drug candidates;

(iv) Depreciation and amortization expenses increased by RMB27.7 million, mainly due to an increase in our property, plant and equipment for research and development purposes;

(v) Raw material and consumable expenses increased by RMB15.8 million, mainly due to the continuous development of our drug candidates; and

(vi) Other expenses increased by RMB10.6 million, mainly due to an increase in utilities and other miscellaneous expenses.

Other Expenses

Our other expenses primarily represent the depreciation of our right-of-use assets and property, plant and equipment related to rental arrangements. Our other expenses decreased from RMB1.9 million in 2020 to RMB1.1 million in 2021, mainly due to a decrease in our rental and related income.

Fair Value Changes on Financial Assets and Liabilities at Fair Value through Profit or Loss

We had fair value changes on financial assets and liabilities at fair value through profit or loss of RMB78.0 million in 2020 and RMB76.3 million in 2021. Our financial liabilities include financial liabilities at fair value through profit or loss, representing the variable part of the consideration arisen from the acquisition of 40% equity interests of Taizhou Hanzhong from non-controlling interest, being 4.375% of future annual net sales revenue of relevant PD-1 products. For the year ended December 31, 2021, we have not recorded any fair value gains on financial assets at fair value through profit or loss (2020: RMB0.7 million), given we did not have any financial assets at fair value through profit or loss as at December 31, 2021.

The following table sets forth a breakdown of our fair value changes on financial assets and liabilities at fair value through profit or loss for the years indicated.

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Fair value losses on financial liabilities at fair value through profit or loss		
– Fair value through profit or loss	**(76,285)**	(30,100)
– Convertible loans	**–**	(48,548)
Fair value gains on financial assets at fair value through profit or loss	**–**	657
Total	**(76,285)**	(77,991)

Finance Income and Finance Costs

Our finance income primarily represents our bank interest income. Our finance costs primarily consist of interest on financial instruments with preferred rights at amortized cost, lease liabilities and borrowings. Our financial income decreased from RMB5.3 million in 2020 to RMB4.1 million in 2021, mainly due to a decreased level of bank deposit for the year ended December 31, 2021. Our finance costs decreased from RMB86.3 million in 2020 to RMB5.7 million in 2021, due to a decrease in interest on financial instruments with preferred rights at amortized cost.

Income Tax Expenses

For the years ended December 31, 2020 and 2021, the Group's income tax expenses were nil.

Loss for the Year

Based on the factors described above, the Group's loss increased from RMB613.4 million in 2020 to RMB1,028.9 million in 2021.

Liquidity and Financial Resources

We have incurred net losses and negative cash flows from operations since inception. Our primary use of cash is to fund our research and development activities. For the year ended December 31, 2021, our net cash used in operating activities was RMB621.7 million. As of December 31, 2021, we had cash and cash equivalent of RMB155.2 million, a decrease of RMB247.7 million from RMB402.9 million as of December 31, 2020, primarily due to the combination effect of an increase in our research and development expenses and fund raised in our financing activities.

The main sources of the Group's liquidity are equity financing and bank borrowings.

Our bank borrowings are divided into secured loans and unsecured loans. As of December 31, 2021, the Group's bank borrowings amounted to RMB292.9 million, among which unsecured and unguaranteed bank borrowings amounted to RMB40.4 million in total with interest at fixed interest rates. Such borrowing will be repayable within one year.

The Group's secured bank borrowings were guaranteed by Dr. Pu Zhongjie, our Controlling Shareholder, and such guarantee was released on April 20, 2021. As of December 31, 2021, the Group's secured and unguaranteed bank borrowings amounted to RMB252.5 million in total which bear interest at floating interest rates. Such bank borrowings are repayable by instalments and will mature in September 2027, and secured by the Group's land use rights and construction-in-progress.

As of December 31, 2021, we had utilized RMB292.9 million from our banking facilities and RMB507.1 million remained unutilized under our banking facilities.

On February 23, 2022, the Company issued 126,876,000 new H Shares at HK$7.13 per H Share through the initial public offering on the Stock Exchange.

On March 17, 2022 as part of the Global Offering, the over-allotment option was exercised partially and the Company issued a total of 899,000 H Shares at HK$7.13 per H Share.

After deducting underwriting fee and relevant listing expenses and taking into account the net proceeds from the over-allotment option, the net proceeds received by the Group from the initial public offering of the Company amounted to approximately HK$810.42 million.

Gearing Ratio

The gearing ratio is calculated using the Group's liabilities divided by its assets. As of December 31, 2021, the Group's gearing ratio was 59.32% (December 31, 2020: 38.04%).

Significant Investments, Material Acquisitions and Disposal

In January 2021, we, through our wholly-owned subsidiary, Innocube Limited, completed the acquisition of 30% equity interest in KYM from Miracogen HK at a consideration of US$100, and upon completion of such acquisition, KYM is held as to 30% and 70% by Innocube Limited and iBridge, respectively. In October 2021, a transfer of 10% equity interest has been completed, and upon completion of such transfer, Taizhou Hanzhong is owned by us as to 82%.

Particulars of the aforementioned acquisition are set out in the section headed "History and Corporate Structure" of the Prospectus.

Save and except as aforementioned, the Group did not have any significant investments or material acquisitions or disposals of subsidiaries, associates and joint ventures for the year ended December 31, 2021.

Capital Commitments

For the years ended December 31, 2020 and 2021, the Group had capital commitments for property, plant and equipment and intangible assets of RMB309.1 million and RMB164.7 million, respectively, reflecting the capital expenditure our Group contracted at the end of year but not yet incurred.

Contingent Liabilities

As of December 31, 2020 and 2021, the Group did not have any contingent liabilities.

Charges on Group Assets

Save as disclosed in this annual report, as of December 31, 2021, the Group did not have any charges over its assets.

Foreign Exchange Exposure

Our financial statements are expressed in RMB, but certain of our Group's subsidiaries in PRC are exposed to foreign exchange risk arising from recognized financial assets and liabilities that are denominated in foreign currencies. We currently do not have a foreign currency hedging policy. However, our management manages foreign exchange risk by performing regular reviews and will consider hedging significant foreign currency exposure should the need arise.

Employees and Remuneration

As of December 31, 2021, the Group had a total of 440 employees. The total remuneration cost for 2021 was RMB256.2 million, as compared to RMB81.6 million for 2020, primarily due to an increase in the number of employees and their salaries as well as the increase in the share-based payment expenses.

To maintain the quality, knowledge and skill levels of our workforce, the Group provides regular and specialized trainings tailored to the needs of our employees in different departments, including regular training sessions conducted by senior employees or third-party consultants covering various aspects of our business operations, for our employees to stay up to date with both industry developments and skills and technologies. The Group also organizes workshops from time to time to discuss specific topics.

We provide various incentives and benefits to our employees. We offer competitive remuneration packages to our employees to effectively motivate our business development team. We participate in various social security plans (including housing provident fund, pension insurance, medical insurance, maternity insurance and work-related injury insurance and unemployment insurance) for our employees in accordance with applicable PRC laws.

USE OF PROCEEDS FROM THE LISTING

On the Listing Date, the Company's shares were listed on Stock Exchange, and on March 17, 2022, the over-allotment option granted as part of the Global Offering was partially exercised and the Company has allotted and issued 899,000 H Shares. The net proceeds received by the Group from the initial public offering of the Company (after deducting underwriting fee and relevant listing expenses and taking into account the net proceeds from the over-allotment option) amounted to approximately HK$810.42 million.

The net proceeds from the Listing (pro-rata adjustment based on the actual net proceeds) have been and will be used in accordance with the purposes set out in the Prospectus. The following table sets forth the planned use of the net proceeds and the actual use as of the Latest Practicable Date:

Proposed use	**Percentage of total net proceeds**	**Allocation of net proceeds** (HK$ million)	**Utilized amount as at the Latest Practicable Date** (HK$ million)	**Unutilized amount as at the Latest Practicable Date** (HK$ million)
a) To fund our Core Products	67.99%	551.00	0	551.00
• To be used for MRG003	22.83%	185.00	0	185.00
– To fund the clinical development and preparation for registration filings of MRG003	19.13%	155.00	0	155.00
– To fund the manufacturing of MRG003	3.70%	30.00	0	30.00
• To be used for MRG002	21.84%	177.00	0	177.00
– To fund the clinical development and preparation for registration filings of MRG002	18.51%	150.00	0	150.00
– To fund the manufacturing of MRG002	3.33%	27.00	0	27.00
• To be used for HX008	16.04%	130.00	0	130.00
– To fund the clinical development and preparation for registration filings of HX008	7.40%	60.00	0	60.00
– To fund the manufacturing of HX008	6.17%	50.00	0	50.00
– To fund the commercialization of HX008	2.47%	20.00	0	20.00
• To fund the clinical development and preparation for registration filings of LP002	1.23%	10.00	0	10.00

Proposed use		Percentage of total net proceeds	Allocation of net proceeds (HK$ million)	Utilized amount as at the Latest Practicable Date (HK$ million)	Unutilized amount as at the Latest Practicable Date (HK$ million)
•	To be used to fund the planned clinical development and other development activities of the combination therapies of HX008 and LP002 with our other products	6.05%	49.00	0	49.00
b)	To fund our other key clinical-stage drug candidates and our key pre-clinical drug candidates	6.29%	51.00	0	51.00
•	Ongoing pre-clinical studies and planned clinical trials for the pre-clinical drug candidates in our pipeline	0.62%	5.00	0	5.00
•	To fund the clinical development and preparation for registration filings of CG0070	1.85%	15.00	0	15.00
•	To fund the clinical development and preparation for registration filings of MRG001	1.85%	15.00	0	15.00
•	To fund the clinical development and preparation for registration filings of MRG004A	1.85%	15.00	0	15.00
•	To fund, through our contribution to KYM, the clinical development and preparation for registration filings of CMG901	0.12%	1.00	0	1.00
c)	To acquire potential technologies and assets and expand our pipeline of drug candidates and to fulfill our continuous payment obligation under our acquisition of HX008 from HanX	15.67%	127.00	0	127.00
d)	For general corporate purposes	10.05%	81.42	3.88	77.54
Total		100%	810.42	3.88	806.54

The unutilized amount of net proceeds is expected to be used by December 31, 2023.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Dr. Pu Zhongjie (蒲忠傑) aged 59, is the founder and Controlling Shareholder of the Group, serving as our executive Director and the chairman of our Board, director and the chairman of the board of Taizhou Aoke, director of Miracogen Shanghai and executive director of Lepu Beijing.

In addition to his position in our Group, Dr. Pu has consecutively held positions with Lepu Medical as its director, chief technology officer, general manager, vice chairman of the board and chairman of the board since June 1999 and is currently the chief technology officer and chairman of the board of Lepu Medical. Dr. Pu also serves as an executive director of Beijing Tiandi Harmony Technology Co., Ltd. (北京天地和協科技有限公司), a wholly owned subsidiary of Lepu Medical engaging in the medical device business since November 1999.

Further, Dr. Pu has been serving as an executive director and the general manager of Beijing Puping Tiancheng Investment Management Consulting Co., Ltd. (北京普平天成投資管理顧問有限公司) ("**Puping Tiancheng**"), a company ultimately owned by Dr. Pu as to 100% and licensed to conduct investment consulting business. In addition, Dr. Pu has also been serving as an executive director and the general manager of Huarui Zongheng (Beijing) Technology Co., Ltd. (華瑞縱橫(北京)科技有限公司), a limited liability company incorporated in the PRC and wholly owned by Dr. Pu Zhongjie since November 2013, an executive director and the general manager of Beijing Houde Yimin since May 2014, an executive director and the general manager of Ningbo Houde Yimin since March 2017, an executive director and the general manager of Ningbo Houde Yimin Investment Management Co., Ltd. (寧波厚德義民投資管理有限公司), a company wholly owned by Beijing Houde Yimin, since March 2017, and an independent director of Beijing Jinyi Culture Development Joint Stock Company (北京金一文化發展股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002721), from June 2019 to December 2020. Prior to establishing the Group, Dr. Pu served as deputy general manager of technology department of U.S. WP Medical Technologies, Inc. from November 1998 to June 1999.

Dr. Pu obtained a bachelor's degree in mechanical engineering in metal materials from Xi'an Jiaotong University (西安交通大學) in the PRC in 1983, a master's degree in metal materials from Xi'an Jiaotong University (西安交通大學) in the PRC in 1985, and a doctoral degree in metal materials from Central Iron & Steel Research Institute (鋼鐵研究總院) in the PRC in July 1990.

Dr. Sui Ziye (隋滋野), aged 42, is our executive Director and the chief executive officer of our Company, a director of Miracogen Shanghai, a director of Taizhou Aoke, an executive director of CtM Bio, and the general manager of Lepu Beijing. In addition, Dr. Sui also serves as a director of Hangzhou HealSun, a company owned by us as to 23.2%, since March 2020. In addition, Dr. Sui has been a non-executive director of Star Combo Pharma Limited, a company listed on the Australian Stock Exchange (stock code: S66), since June 2018. Dr. Sui has nearly ten years of managerial experience in the pharmaceutical sector.

Prior to joining our Group, Dr. Sui held several positions in Lepu Medical and its subsidiaries, including an international sales & marketing manager and a vice president of Lepu Medical from April 2007 to January 2020, a CEO of Comed BV from March 2012 to May 2015, a CEO of Beijing Lepu Hushengtang Technology Co., Ltd. (北京樂普護生堂網絡科技有限公司) from April 2015 to December 2019, an executive director of Beijing Star GK Medical Device Co., Ltd. (北京思達醫用裝置有限公司) from October 2017 to January 2020, the chairman of the board of Zhongcheng Healthcare Industrial (Hainan) Co., Ltd. (中鋮健康產業(海南)股份有限公司), previously known as

Hainan Mingshengda Pharmaceutical Co., Ltd. (海南明盛達藥業有限公司), from June 2015 to January 2020 and a director of Beijing Quinovare Medical Technology Co., Ltd. (北京快舒爾醫療技術有限公司) from September 2016 to July 2020.

Dr. Sui obtained a bachelor's degree in medical science from Peking University (北京大學) in the PRC in July 2001 and a doctoral degree from University of Rochester in the U.S. in March 2007.

Dr. Hu Chaohong (胡朝紅), aged 56, is our executive Director and co-chief executive officer of our Company, chairman of the board and general manager of Miracogen Shanghai, a company founded by Dr. Hu in 2014, and director of Innocube Limited, a wholly owned subsidiary of the Company. Dr. Hu has around twenty years of experience in development of therapeutic antibodies, antibody drug conjugates and vaccines.

Prior to founding Miracogen Shanghai, Dr. Hu served as a director of the Bioassay Development and Process Analytics department at Seagen Inc. (previously known as Seattle Genetics Inc.), a company listed on the Nasdaq Stock Exchange (stock code: SGEN), from June 2007 to October 2013, the head of Molecular Biology and Clinical Immunology department of GlaxoSmithKline plc, a company listed on the New York Stock Exchange (stock code: GSK), from January 2006 to May 2007, the research scientist and director of Molecular Biology and Clinical Immunology department of ID Biomedical Corporation, previously known as ID Vaccine Corporation, a company listed on the Nasdaq Stock Exchange (stock code: IDBE) and delisted in 2005, from October 1997 to December 2005, a postdoctoral fellow of the University of Washington from September 1992 to October 1997.

Dr. Hu obtained a bachelor's degree in biochemistry from Wuhan University (武漢大學) in the PRC in July 1986 and a doctoral degree in science from Institute of Biophysics, Chinese Academy of Sciences (中國科學院生物物理研究所) in July 1991. Dr. Hu was awarded the second prize of National Natural Science Award (國家自然科學二等獎) by the State Council of the PRC (國務院) in 1995.

Non-executive Directors

Ms. Pu Jue (蒲珏), aged 33, is our non-executive Director. In addition to her position in our Group, she leads international business development for Lepu Medical since April 2015, with successful investments including Viralytics Limited (acquired by Merck in February 2018).

Ms. Pu serves as a director of Rgenix Inc. which develops leading immunotherapy cancer treatment agents, since October 2018 and a director of CG Oncology which develops oncolytic virus for the treatment of bladder cancer, since March 2019. As Ms. Pu Jue is not involved in the daily management and operation of our Company as a non-executive Director, and of Rgenix Inc. and CG Oncology as an investor board representative, the directorships held by Ms. Pu Jue would not give rise to any material competition issue under Rule 8.10 of the Listing Rules.

Ms. Pu obtained bachelor's degrees in both economics and engineering from the Wharton School of the University of Pennsylvania in the U.S. in May 2012 and a master's degree in material engineering from Stanford University in the U.S. in June 2013. Ms. Pu is the daughter of Dr. Pu Zhongjie.

Mr. Yang Hongbing (楊紅冰), aged 53, is our non-executive Director. In addition to his position in our Group, Mr. Yang is the co-founder of Shenzhen Shiyu and has been serving as the chairman of the board of Shenzhen Shiyu since December 2017, the chairman of the board of Suzhou Shiyu Investment Management Co., Ltd. (蘇州拾玉投

資管理有限公司), a company wholly owned by Shenzhen Shiyu, since October 2018, executive director of Qingdao Shiyu Health Technology Co., Ltd. (青島拾玉健康科技有限公司) since March 2020, and director of Zhejiang Ciji Hospital Management Co., Ltd. (浙江慈繼醫院管理有限公司). Prior to that, Mr. Yang served as (a) a manager of the sales department and subsequently general manager of Gloria Pharmaceutical Co., Ltd. (哈爾濱譽衡藥業股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002437), from September 2004 to December 2017 and (b) a deputy general manager of Shaanxi Dongsheng Pharmaceutical Co., Ltd. (陝西東盛醫藥有限責任公司) from May 2001 to August 2004.

Mr. Yang serves as a non-executive director of Gloria Pharmaceutical (Guangzhou) Co., Ltd. (廣州譽衡生物科技有限公司), a company with PD-1 products business. Since Mr. Yang is not involved in the daily management and operation of our Company and Gloria Pharmaceutical (Guangzhou) Co., Ltd., the directorship held by Mr. Yang would not give rise to any material competition issue under Rule 8.10 of the Listing Rules. Mr. Yang obtained a bachelor's degree in management from Northwest University (西北大學) in the PRC in July 1991 and an EMBA from China International Business School (中國國際工商學院) in the PRC in October 2011.

Mr. Lin Xianghong (林向紅), aged 51, is our non-executive Director. In addition to his position in our Group, Mr. Lin has been serving as the chairman of the board and a member of investment committee of Suzhou Equity Investment Fund Management Co., Ltd. (蘇州股權投資基金管理有限公司) since December 2017, the chairman of the board and a member of investment committee of Kaiyuan Guochuang Capital Management Co., Ltd. (開元國創資本管理有限公司) since March 2017, the chief executive officer of Suzhou Private Capital Investment since April 2016, and the non-executive director of CStone Pharmaceuticals, a company listed on the Stock Exchange (stock code: 2616), since November 2020. Prior to that, Mr. Lin served as (a) the president and chairman of the board of Suzhou Yuanhe Holding Co., Ltd. (蘇州元禾控股有限公司) from September 2007 to March 2016, (b) the president and chairman of the board of Zhongxin Suzhou Industrial Park Venture Capital Co., Ltd. (中新蘇州工業園區創業投資有限公司) from November 2001 to September 2007, and (c) the deputy manager of finance department and general manager of investment department of Zhongxin Suzhou Industrial Park Development Co., Ltd. (中新蘇州工業園區開發有限公司) from April 2000 to February 2004.

Mr. Lin obtained a bachelor's degree in auditing from Xi'an Jiaotong University (西安交通大學) in the PRC in July 1992, a master's degree in agricultural economic management from Suzhou University (蘇州大學) in the PRC in June 1999, and a doctoral degree in management of science and engineering from Xi'an Jiaotong University (西安交通大學) in the PRC in September 2009. In addition, Mr. Lin obtained the qualification of auditor from National Audit Office of PRC (中華人民共和國審計署) in November 1995, and was certified as a public accountant by the Ministry of Finance of the PRC in June 1997, and a senior economist by the Human Resources and Social Security Department of Jiangsu Province (江蘇省人力資源和社會保障廳) in October 2012.

Mr. Lin also holds various industry positions, including a member of First Technology Innovation Consultation Committee of Shanghai Stock Exchange (上海證券交易所第一屆科技創新諮詢委員會) from April 2019 to April 2021, a member of Venture Capital Committee of Asset Management Association of China (中國證券投資基金業協會創業投資基金專業委員會) since June 2015.

Independent Non-executive Directors

Mr. Zhou Demin (周德敏), aged 55, is our independent non-executive Director. In addition to his position in our Group, Mr. Zhou served consecutively as professor, deputy dean and now dean of Peking University School of Pharmaceutical Sciences since September 2008 and is an independent director of North China Pharmaceutical Co., Ltd. (華北製藥集團有限責任公司), a company listed on the Shanghai Stock Exchange (stock code: 600812) since May 2019.

Mr. Zhou obtained a bachelor's degree in chemistry and a doctoral degree in science from Peking University Health Science Centre (北京醫科大學) in the PRC in July 1990 and June 1996 respectively.

Mr. Yang Haifeng (楊海峰), aged 45, is our independent non-executive Director. In addition to his position in our Group, Mr. Yang is the head of managing committee of Silkroad Law Firm (錦路律師事務所) since June 2011. Prior to that, Mr. Yang served as a director of legal and risk department of CCB International Asset Management Limited (建銀國際資產管理有限公司) from July 2009 to June 2011, and a legal manager of Simmons (英國西盟斯律師事務所香港辦公室) from October 2004 to July 2009.

Mr. Yang obtained a bachelor's degree in law from Peking University (北京大學) in the PRC in July 2000 and a master's degree in law from Northwestern University in the U.S. in June 2004. Mr. Yang was admitted to practice law in the PRC in January 2019 and New York law in the U.S. in August 2007.

Mr. Fengmao Hua (華風茂), aged 53, is our independent non-executive director. In addition to his position at our Group, Mr. Hua serves as the chairman of the Board of China Finance Strategies Investment Holdings Limited since August 2014 and the chief executive officer of Chempartner Pharmatech Co., Ltd., a company listed on Shenzhen Stock Exchange (stock code: 300149) since July 2021. Mr. Hua has more than 15 years of experience in investment banking industry. Mr. Hua previously worked at a number of investment banking firms where he was mainly responsible for corporate finance, public offering, reorganization, merger and acquisitions as well as other financial consulting work, the details of which are set forth below:

- from July 2003 to October 2005, Mr. Hua held various positions in CLSA Capital Market Limited;
- from April 2008 to August 2014, Mr. Hua served as the managing director of investment banking department and the managing director in the private equity department in BOCOM International Holdings Company Limited;
- from July 2018 to June 2021, Mr. Hua served as an executive director and the chief financial officer of Viva Biotech Holdings, a company listed on the Stock Exchange (stock code: 1873);
- since December 2021, Mr. Hua has served as an independent non-executive director of Sirnaomics Ltd., a company listed on the Stock Exchange (stock code: 2257); and
- since December 2021, Mr. Hua has served as an independent non-executive director of Ferretti S.p.A., a company listed on the Stock Exchange (stock code: 9638).

Mr. Hua obtained his bachelor's degree in English from Shanghai International Studies University (上海外國語大學) in the PRC in July 1989. He obtained his master's degree in Business Administration from the International University of Japan in June 1997 in Japan.

SUPERVISORS

Mr. Xu Yang (徐揚), aged 54, is a Supervisor of our Company. In addition to his position in our Group, Mr. Xu is a director of Lepu Medical since January 2014 and a founding partner of Chong Guang Law Office (北京市重光律師事務所) since May 2005. Prior to that, Mr. Xu served as (i) an independent director of NAURA Technology Group Co., Ltd. (北方華創科技集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002371), from September 2010 to October 2016, and (ii) an independent director of Sino-air Transportation Co., Ltd. (中外運空運發展股份有限公司), a company previously listed on the Shanghai Stock Exchange (stock code: 600270) and delisted by way of merger and absorption in December 2018, from October 2005 to April 2012.

Mr. Xu obtained a bachelor's degree in law from Peking University (北京大學) in the PRC in July 1991. Mr. Xu was admitted to practice law in the PRC in June 1994.

Mr. Yang Ming (楊明), aged 56, is a Supervisor of our Company. Mr. Yang joined our Group in December 2020 and has been serving as our Supervisor since then. In addition to his position in our Group, Mr. Yang is the vice president of research and development department of Lepu Medical since January 2013 and had held various positions in Lepu Medical, including the manager of clinical registration department from January 2007 to December 2012, the manager of marketing department from October 2005 to December 2006, and the manager of technology quality department from June 2002 to September 2005. Prior to that, Mr. Yang served as a technician of No. 725 Institution of China State Shipbuilding Corporation Limited (中國船舶重工集團公司第七二五研究所) until May 2002.

Mr. Yang obtained a bachelor's degree in metal physics from Wuhan University (武漢大學) in the PRC in July 1988. He was qualified as a researcher of biologics material and medical device of China State Shipbuilding Corporation Limited (中國船舶重工集團公司) in March 2010. Mr. Yang has been a member of the second council of China Society for Drug Regulation (中國藥品監督管理研究會) since October 2020.

Mr. Wang Jiwei (王倚緯), aged 35, is an employee representative Supervisor of our Company. Mr. Wang also serves as an administrator of the clinical department of our Company since May 2018. Prior to joining our Group, Mr. Wang served as an operator at the manufacturing product line of Lepu Medical from May 2011 to April 2018.

Mr. Wang obtained his associate's degree in E-commerce from Beijing Vocational College of Labour and Social Security (北京勞動保障職業學院) in the PRC in July 2010.

SENIOR MANAGEMENT

Dr. Sui Ziye (隋滋野) is an executive Director and chief executive officer of our Company. See "Executive Directors" in this section for the biographical details of Dr. Sui.

Dr. Hu Chaohong (胡朝紅) is an executive Director and co-chief executive officer of our Company. See "Executive Directors" in this section for the biographical details of Dr. Hu.

Dr. Qin Minmin (秦民民), aged 65, is the chief technology officer of our Company and senior vice president of Miracogen Shanghai responsible for CMC. Dr. Qin has over twenty years of experience in biopharma research and development and is an expert in the fields of recombinant protein, fusion protein, mAb, bispecific antibody and antibody drug conjugate.

Prior to joining our Group, Dr. Qin served as (a) a senior vice president and head of CMC department of HBM Holdings Limited (和鉑醫藥控股有限公司), a company listed on the Stock Exchange (stock code: 02142), from March 2018 to April 2019, (b) a vice president of Wuxi Biologics (Cayman) Inc. (藥明生物技術有限公司), a company listed on the Stock Exchange (stock code: 02269), from August 2017 to March 2018, (c) a chief science officer of Jiangsu Pacific Meinuoke Pharmaceutical Co., Ltd. (江蘇太平洋美諾克生物藥業有限公司) from October 2016 to July 2017, (d) a chief technology officer as well as a senior vice president of Zhejiang Teruisi Pharmaceutical Co., Ltd. (浙江特瑞思藥業股份有限公司) from September 2015 to October 2016, (e) a chief technology officer of Shanghai JMT-Bio, Inc. from September 2012 to September 2015, (f) a senior director of Five Prime Therapeutics, a company listed on the Nasdaq Stock Exchange (stock code: FPRX), from January 2005 to August 2012, and (g) various positions, including senior director of process development, in BioMarin Pharmaceutical Inc., a company listed on the Nasdaq Stock Exchange (stock code: BMRN), from May 1997 to October 2004.

Dr. Qin obtained a bachelor's degree in agriculture from Northwest Agriculture and Forest University (西北農林科技大學), previously known as Northwest Agriculture College (西北農學院), in the PRC in December 1981, a doctoral degree from University of Wisconsin Madison in the U.S. in May 1991, and completed a post-doctoral research from the University of California Berkeley in the U.S. in April 1997.

Dr. Qin is an adjunct professor of Xi'an Jiaotong University (西安交通大學) from June 1, 2016 to June 1, 2021. Dr. Qin was awarded Rusty Award from Five Prime Therapeutics in both 2010 and 2011.

Dr. Li Hu (李虎), aged 57, is the vice president of our Company and the vice president of Miracogen Shanghai. Dr. Li has more than twenty years in drug discovery and preclinical development, and is an expert in assay development, high throughput screening and translational sciences. Dr. Li has led our ADC preclinical biology team to successfully obtain IND clearance in US and China for multiple antibody drug conjugate candidates and successfully developed bioanalytical and immunogenicity assays for nonclinical and clinical programs.

Prior to joining our Group, Dr. Li served as a manager and group leader of GlaxoSmithKline plc, a company listed on the New York Stock Exchange (stock code: GSK), from May 1996 to February 2015.

Dr. Li obtained a bachelor's degree in chemistry from Nanjing University (南京大學) in the PRC in July 1986, a master's degree in environmental chemistry from Research Centre for Eco-Environmental Sciences, Chinese Academy of Sciences (中國科學院生態環境研究中心) in the PRC in July 1989, and a doctoral degree in biochemistry from Bryn Mawr College in the U.S. in May 1996.

Dr. Li received GlaxoSmithKline's Exceptional Sciences Award in 2006 and GlaxoSmithKline's Silver Medal Award in 2008 and 2013 separately. In 2016, Dr. Li was appointed as Expert of Shanghai Pudong Science and Technology Development Fund. In 2009, he was interviewed by Genetic Engineering and Biotechnology News Magazine on application of ADP-GLO technologies in drug screening. In 2004, he was invited as a member to the 6th Sino-American Technology Engineering Committee (中美工程技術研討會). He has co-authored over 20 scientific papers in peer-reviewed journals and is a co-inventor of several published patents.

Dr. Fang Lei (方磊), aged 39, is the vice president of our Company and the general manager of CtM Bio. Dr. Fang has more than ten years of experience in oncology clinical drug development and is an expert in immunology, development strategy and early-stage clinical trials for innovative drugs and translational medical science.

Prior to joining our Group, Dr. Fang served as a director and then executive director of research and development department of I-Mab Shanghai, a subsidiary ultimately and wholly owned by I-Mab, a company listed on the New York Stock Exchange (stock code: IMAB), from September 2016 to April 2020, a director of Third Venture Biopharma (Nanjing) Co., Ltd. (南京三境生物科技有限公司), the predecessor of I-Mab, from March 2015 to August 2016, and consecutively as a research fellow and scientist of GSK (Shanghai) Drug Development Co., Ltd. (葛蘭素史克(上海)醫藥研發有限公司) from June 2010 to February 2015.

Dr. Fang obtained a bachelor's degree in biotechnology from Hebei University (河北大學) in the PRC in June 2004 and a doctoral degree in cell biology from Chinese Academy of Sciences (中國科學院). Dr. Fang received an R&D's Exceptional Science Award (卓越科學成就獎) from GSK (Shanghai) Drug Development Co., Ltd. in 2013.

Dr. Tan Qian (譚茜), age 46, has been appointed as the vice president of our Company since April 2022. Dr. Tan has more than 15 years of extensive experience in pharmaceutical industry and leading healthcare and research institutions, and is an expert in oncology, precision cancer medicine, cancer genomics, drug development and clinical trials management with research interests focusing on the development, assessment and validation of novel therapeutic strategies for cancers including molecular targeted therapies.

Prior to joining our Group, Dr. Tan served as (a) the Chief Medical Officer at Yidu Cloud (Beijing) Technology Co., Ltd.* (醫渡雲(北京)技術有限公司), a leading medical artificial intelligence technology company and an affiliated entity of Yidu Tech Inc., a company listed on the Stock Exchange (stock code: 2158), from 2019 and (b) senior oncology clinical research scientist and principal investigator at Princess Margaret Cancer Centre in Canada from 2016 to 2019.

Dr. Tan obtained a bachelor's degree in medicine from Tiangjin Medical University (天津醫科大學) in 1999, a master's degree in science from York University in Canada in 2009, a doctoral degree in oncology from University of Toronto in Canada in 2015, and completed a post-doctoral research from Stanford University in US in 2016.

Dr. Tan is the editorial board member for Annals of Translational Medicine (轉化醫學年鑒) and Chinese Journal of Cancer Research (中國癌症研究雜誌) from 2015.

Ms. Li Maggie Geman (李歌曼), aged 56, is the vice president of our Company and the vice general manager of the regulatory affairs department of Miracogen Shanghai. Ms. Li has more than ten years of experience in regulatory affairs and drug registration in biopharmaceutics and oncology.

Prior to joining our Group, Ms. Li served as (a) a senior regulatory affairs specialist of Acucela Inc. from April 2013 to March 2014 and (b) a senior regulatory affairs specialist of Seattle Genetics Inc. from September 2009 to April 2013.

Ms. Li obtained a bachelor's degree in chemical pharmaceuticals from Shengyang Pharmaceutical University (瀋陽藥科大學), previously known as Shenyang Pharmaceutical School (瀋陽藥學院), in the PRC in July 1988 and a master's degree in healthcare administration from University of Washington in the U.S. in June 2006.

Ms. Li completed the certificate program in clinical trials of University of Washington in July 2007 and received the regulatory affairs certification accredited by the U.S. Regulatory Affairs Professionals Society in April 2008.

Ms. Li Yunyi (李昀軼), aged 42, is the chief financial officer and Board secretary of our Company. Prior to joining our Group, Ms. Li served as the deputy financial director of Lepu Medical from May 2016 to October 2020. From September 2013 to December 2015, Ms. Li served as an executive director of debt capital market of Credit Suisse Founder Securities Limited (瑞信方正證券有限責任公司). From June 2008 to August 2013, Ms. Li served consecutively as associate, senior associate, vice president of fixed income team of investment banking department of China International Capital Corporation Limited (中國國際金融股份有限公司), a company listed on the Stock Exchange (stock code: 03908) and Shanghai Stock Exchange (stock code: 601995). From July 2001 to May 2008, Ms. Li served as the manager of investment banking and marketing development department of China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司), a company listed on the Stock Exchange (stock code: 01359).

Ms. Li obtained a bachelor's degree in international finance from Beihang University (北京航空航天大學) in the PRC in July 2001 and a master's degree in applied finance from Macquarie University in Australia in November 2007.

Dr. Frederick Herman Hausheer resigned as the Global Chief Medical Officer of the Company with effect from March 31, 2022 due to personal reasons. He has confirmed that he has no disagreement with the Board and there is no other matter relating to his resignation that needs to be brought to the attention of the shareholders of the Company or the Stock Exchange. The Company confirms that the medical operation related matters of the Group are all in an orderly manner and the departure of Dr. Hausheer will not have any adverse effect on the operations of the Group.

JOINT COMPANY SECRETARIES

Ms. Li Yunyi (李昀軼) is the chief financial officer and the secretary to the Board, and was appointed as the joint company secretary of our Company on April 18, 2021 with her appointment taking effect on the Listing Date. See "Senior Management" above for the biographical details of Ms. Li.

Ms. Lai Siu Kuen (黎少娟) is the joint company secretary of our Company and was appointed on April 18, 2021 with her appointment taking effect on the Listing Date. Ms. Lai is a director of the corporate services of Tricor Services Limited, a global professional services firm. She has over 20 years of professional and in-house experience in the company secretarial field. Prior to joining Tricor Services Limited, she was an associate director of other professional service providers. She obtained a bachelor's degree in accountancy from The Hong Kong Polytechnic University in November 1997. She is a fellow of both The Hong Kong Chartered Govemance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom.

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.

GLOBAL OFFERING

The Company was incorporated in the PRC with limited liability on January 19, 2018 and converted into a joint stock company with limited liability on December 16, 2020. Its H shares were listed and traded on the Main Board of the Stock Exchange on February 23, 2022. The Prospectus of the Company dated February 10, 2022 has been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.lepubiopharma.com).

PRINCIPAL BUSINESS

We are a biopharmaceutical company focusing on oncology therapeutics with a pipeline designed with a range of oncology products. We have a range of anti-PD-1 and anti-PD-L1 antibody candidates, underpinning its immunotherapy, as the backbone of its pipeline and is also devoted to the development of ADC and oncolytic virus drug products. As an innovation-driven biopharmaceutical company leveraging an internationally integrated research and development system, we are committed to fulfilling unmet medical needs in the PRC and globally.

The activities and particulars of the Company's principal subsidiaries are shown under note 37 to financial statements. An analysis of the Group's revenue and operating profit for the year by principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report.

RESULTS AND BUSINESS REVIEW

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 comprehensive loss of the Group on pages 4 to 5 and page 101 of this annual report.

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, an indication of likely future developments in the Group's business and the Group's key relationships with its stakeholders who have a significant impact on the Group and on which the Group's success depends, is set out in the section headed "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 is set out in the section headed "Management Discussion and Analysis – Key Events after the Reporting Period" in this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Risks Relating to the Research and Development, Manufacturing and Commercialisation of our Drug Candidates

- Our business and financial prospects depend substantially on the success of our clinical-stage and pre-clinical-stage drug candidates. If we are unable to successfully complete clinical development, obtain regulatory approvals or achieve commercialization for our drug candidates, or if we experience significant delays or cost overruns in doing any of the foregoing, our business and competitive position could be materially and adversely affected.

- Clinical drug development involves a lengthy and expansive process with an uncertain outcome, and we may encounter unexpected difficulties executing our clinical trials. Results of earlier studies and trials may not be predictive of future trial results.

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

- We face intense competition and rapid technological change and the possibility that our competitors may develop products and therapies that are similar, more advanced, or more effective than ours, or launch biosimilar products and therapies ahead of us, which may adversely affect our financial condition and our ability to successfully commercialize our drug candidates.

Risks Relating to Regulatory Approvals and Government Regulation

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

- The regulatory approval processes of the NMPA, the FDA and other comparable regulatory authorities are lengthy, time-consuming and inherently unpredictable. If we are unable to obtain without undue delay any regulatory approvals for our drug candidates in our targeted markets, our business may be subject to actual or perceived harm.

- We may seek approvals from the NMPA, the FDA or other comparable regulatory authorities for an expedited review process for our drug candidates or for the use of data from registrational trials through accelerated development pathways, failure to obtain which may have a material adverse effect on our business, financial condition, results of operations and prospects.

Risks Relating to our Operations

- We have recorded net cash outflow from operating activities since our inception, and we may need to obtain additional financing to fund our operations. If we are unable to obtain such financing, we may be unable to complete the development and commercialization of our major drug candidates.

- We may be subject to disasters, health epidemics such as COVID-19, acts of war, terrorism, business disruptions and other force majeure events, which may have a material adverse effect on our business, financial condition and results of operations.

- There are uncertainties regarding the interpretation and enforcement of Chinese laws, rules and regulations.

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

MAJOR CUSTOMERS AND SUPPLIERS

As we have no products approved for commercial sale and have not generated any revenue from any product sales, we did not generate any revenue for the Reporting Period.

Purchases attributable to the Group's five largest suppliers and the largest supplier accounted for 35.6% and 17.4%, respectively, of the Group's total purchases for the Reporting Period.

Hangzhou HealSun was the third largest supplier for the year ended December 31, 2021. For details relating to the interest in Hangzhou HealSun held by Mr. Lin Xianghong, our Company's non-executive Director, please refer to page 34 of this annual report.

Beijing Highthink Pharmaceutical Technology Service Co., Ltd. (北京海金格醫藥科技股份有限公司) is the fourth largest supplier for the year ended December 31, 2021. Dr. Pu Zhongjie, Chairman of the Board and our Company's executive Director, is a director of Beijing Highthink Pharmaceutical Technology Service Co., Ltd.

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

DIVIDENDS

The Directors do not recommend payment of a final dividend for the Reporting Period. There is no arrangement that a Shareholder has waived or agreed to waive any dividend.

DIVIDEND POLICY

No dividends was declared or paid by the Company or other entities comprising the Group during the Reporting Period. The Company has adopted a policy on payment of dividends, please refer to the section headed "Corporate Governance Report – Dividend Policy" of this annual report for details.

We currently expect to retain all future earnings for use in operation and expansion of our business, and do not expect to declare or pay any dividends in the foreseeable future. Any future declarations and payments of dividends will be at the absolute discretion of our Directors and subject to the Articles and the PRC Company Law, and will depend on the actual/ projected financial performance of the Group, operational capital need, cash flow, future expansion plans, current and future liquidity condition, internal and external circumstances that may impact upon the Company's business or financial performance or condition, and other factors which our Directors consider relevant. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. As confirmed by the Company's PRC Legal Adviser, according to the relevant PRC laws, any future net profit that we make will have to be first applied to make up for our historically accumulated losses, after which we will be obliged to allocate 10% of the net profit to our statutory common reserve fund until such fund has reached more than 50% of our registered capital. We will therefore only be able to declare dividends after (i) all our historically accumulated losses have been made up for; and (ii) we have allocated sufficient net profit to our statutory common reserve fund as described above.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year ended December 31, 2021 are set out in note 24 to financial statements.

SHARE OPTION SCHEME

During the Reporting Period up to and including the Latest Practicable Date, the Company did not adopt any share option schemes under Chapter 17 of the Listing Rules.

BORROWINGS

Particulars of bank loans and other borrowings of the Group as of December 31, 2021 are set out in the section headed "Management Discussion and Analysis" in this annual report and note 28 to financial statements.

RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 104 to 105 of this annual report. Details of the movement in the reserves of the Company during the Reporting Period is set out in note 42 to the consolidated financial statements on pages 183 to 185 of this annual report.

As of December 31, 2021, the Group had distributable reserve accounting to approximately RMB947 million.

FINANCIAL SUMMARY AND FINANCIAL STATEMENTS

A summary of the Group's results, assets and liabilities for the last three financial years (prepared in accordance with IFRS) are set out on page 186 of this annual report. This summary does not form part of the audited consolidated 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 102 to 103 of this annual report.

DIRECTORS AND SUPERVISORS

The Directors and Supervisors who held office during the Reporting Period and up to the date of this annual report were:

Executive Directors

Dr. PU Zhongjie
Dr. SUI Ziye
Dr. HU Chaohong

Non-executive Directors

Ms. PU Jue
Mr. YANG Hongbing
Mr. LIN Xianghong

Independent non-executive Directors

Mr. ZHOU Demin
Mr. YANG Haifeng
Mr. Fengmao HUA

Supervisors

Mr. XU Yang
Mr. YANG Ming
Mr. WANG Jiwei

Details of Directors and Supervisors are set out in "Biographies of Directors, Supervisors and Senior Management" of this annual report. Save as disclosed in that section, up to the date of this annual report, there were no changes to information which are required to be disclosed by Directors and Supervisors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

INTERESTS OF DIRECTORS AND SUPERVISORS IN TRANSACTION, ARRANGEMENT OR CONTRACT

Save as the Procurement Framework Agreement and the Technology Service Framework Agreement disclosed under the section headed "Directors' Report – Connected Transactions" of this annual report, the Group has not entered into any transaction agreement or contract of significance in which the Group's Directors and Supervisors have direct or indirect material interests during the Reporting Period (other than the service contracts and employment agreements of Directors and senior management).

Subsequent to the Reporting Period and prior to the Latest Practicable Date, the Company has entered into a cornerstone investment agreement on February 5, 2022 with King Star Med LP, a close associate of Mr. Lin Xianghong (our non-executive Director), with respect to its subscription of Shares as a cornerstone investor in the Global Offering. For details, please refer to the disclosure made in the Prospectus.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as the Procurement Framework Agreement disclosed under the section headed "Directors' Report – Connected Transactions" of this annual report, the Controlling Shareholder does not have or had a material interest, either directly or indirectly, in any contract of significance, whether for the provision of services or otherwise, to the business of the Group to which the Company or any of its subsidiaries was a party during the Reporting Period (other than the service contract and employment agreement of Director and senior management).

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

Save as disclosed in the section headed "Biographies of our Directors, Supervisors and Senior Management" in this annual report and save for their respective interests in the Group, none of the Directors, Supervisors and the Controlling Shareholder were interested in any business which competes or is likely to compete with the businesses of the Group during the Reporting Period.

From time to time, the Company's non-executive Directors may serve on the boards of both private and public companies within the broader healthcare and biopharmaceutical industries. However, as these non-executive Directors are neither controlling shareholders of the Company nor members of its executive management team, the Company is of the view that their interests in such companies as directors would not render the Company incapable of carrying on its business independently from the other companies in which they may hold directorships from time to time.

EMOLUMENTS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND FIVE HIGHEST PAID INDIVIDUALS

The Remuneration and Appraisal Committee determines or makes recommendation to the Board (as case may be) on the remuneration and other benefits payable to the Directors and Supervisors by the Group. The Remuneration and Appraisal Committee regularly oversees the remuneration of all Directors and Supervisors to ensure that their remuneration and compensation are at an appropriate level. The Group maintains competitive remuneration packages with reference to the industry standard and according to the business development of the Group and determines remuneration of the Directors and Supervisors based on their respective qualifications, experience and contributions, to attract and retain its Directors and Supervisors as well as to control costs.

Details of emoluments of Directors, Supervisors and the top five highest paid individuals are set out in note 40 and note 8 to financial statements. For the year ended December 31, 2021, none of the Directors has waived or agreed to waive any emoluments.

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at the Latest Practicable Date, the interests and short positions of the Directors, supervisors 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 of our Directors in the Shares or Underlying Shares of the Company

Long position in the Shares as at the Latest Practicable Date

Name of Director	Class of Shares	Nature of Interest	Number of Shares or underlying Shares	Approximate percentage in relevant class of Shares [1]	Approximate percentage in the total registered share capital [1]
Dr. Pu Zhongjie[2]	H Shares	Interests in controlled corporation	658,591,549	41.03%	39.69%
Dr. Hu Chaohong[3]	H Shares	Interests in controlled corporation	138,978,106	8.66%	8.37%
Ms. Pu Jue[4]	H Shares	Interests in controlled corporation	90,000,000	5.61%	5.42%
Mr. Lin Xianghong[5]	H Shares	Beneficiary of a discretionary trust	21,859,000	1.36%	1.32%

Notes:

(1) The calculation is based on the total number of 1,659,444,838 Shares issued, including 1,605,176,474 H Shares and 54,268,364 Domestic Shares issued as at the Latest Practicable Date.

(2) Ningbo Houde Yimin directly holds 433,239,436 H Shares as beneficial owner, and Ningbo Houde Yimin is held as to 100% by Beijing Houde Yimin, which is in turn held as to 100% by Dr. Pu Zhongjie, one of the executive Directors and the chairman of the Board. In addition, Lepu Medical directly holds 225,352,113 H Shares as beneficial owner, and Dr. Pu Zhongjie is the actual controller of Lepu Medical. Dr. Pu Zhongjie is therefore deemed to be interested in the 433,239,436 H Shares and the 225,352,113 H Shares held by Ningbo Houde Yimin and Lepu Medical, respectively.

(3) Miracogen HK directly holds 138,978,106 H Shares as beneficial owner, and Miracogen HK is held as to 100% by Miracogen Inc., which is in turn held as to 100% by Dr. Hu Chaohong, one of the executive Directors and a co-chief executive officer of the Company. Dr. Hu Chaohong is therefore deemed to be interested in the 138,978,106 H Shares held by Miracogen HK.

(4) Shanghai Lvyuan directly holds 90,000,000 H Shares as beneficial owner, and Shanghai Lvyuan is held as to 100% by Cereblue Limited, which is in turn held as to 100% by Ms. Pu Jue, one of the non-executive Directors. Ms. Pu Jue is therefore deemed to be interested in the 90,000,000 H Shares held by Shanghai Lvyuan.

(5) King Star Med LP directly holds 21,859,000 H Shares as beneficial owner, and the general partner and manager of King Star Med LP, namely King Star Med Management Limited and King Star Consulting Limited, are both indirectly held by Ace Treasure Trust and Superb Outcome Trust (the "**Trusts**") as to 40% and 30%, respectively. Mr. Lin Xianghong, a non-executive Director, is the settlor, the protector and one of the beneficiaries of the Trusts. Under the SFO, as settlor and beneficiary of such Trusts, Mr. Lin Xianghong is deemed to be interested in the H Shares held by King Star Med LP.

Interests of our Directors in the Shares or Underlying Shares of Associated Corporations

Hangzhou HealSun Biopharma Co., Ltd.

Long position in the shares as at the Latest Practicable Date

Name of Director	Class of Shares	Nature of Interest	Amount of registered capital subscribed (RMB)	Approximate percentage of shareholding
Mr. Lin Xianghong[6]	Domestic Shares	Interests in controlled corporation	933,333	5.41%

Notes:

(6) Suzhou Yipu No. 2 Venture Investment Limited Partnership* (蘇州翼樸二號創業投資合夥企業(有限合夥)) ("**Yipu LP**") directly holds 933,333 shares in Hangzhou HealSun Biopharma Co., Ltd., a company owned by us as to 23.2% and is an associated corporation of the Company under Part XV of the SFO. The general partner of Yipu LP is Suzhou Yipu No. 2 Zhechuang Management Consultation Limited Partnership* (蘇州翼樸二號喆創管理諮詢合夥企業(有限合夥)), in which Mr. Lin Xianghong, one of the non-executive Directors, holds 50% interests in. Mr. Lin Xianghong is therefore deemed to be interested in the shares in Hangzhou HealSun Biopharma Co., Ltd. held by Yipu LP.

Save as disclosed above, so far as the Directors are aware, as at the Latest Practicable Date, none of the Directors, supervisors or chief executives of the Company had any interests and/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.

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

So far as is known to the Company, as at the Latest Practicable, as recorded in the register required to be kept by the Company under section 336 of the SFO, the following persons, other than a Director or chief executive of the Company, had an interest of 5% or more in the Shares or underlying Shares:

Long position in the Shares as at the Latest Practicable Date

Name of Shareholder	Class of Shares	Nature of Interest	Number of Shares or underlying Shares	Approximate percentage in relevant class of Shares [1]	Approximate percentage in the total registered share capital [1]
Mr. Su Rongyu	H Shares	Beneficial interest	100,000,000	6.23%	6.03%
Ms. Hao Chunmei [2]	H Shares	Interests of spouse	100,000,000	6.23%	6.03%
Kington Capital No. 1 Equity Investment Partnership (Limited Partnership)*	H Shares	Beneficial interest	39,436,621	2.46%	2.38%
蘇州翼樸一號股權投資合夥企業(有限合夥) ("**Kington Capital**")	Domestic Shares	Beneficial interest	39,436,620	72.67%	2.38%
Suzhou Yipu No. 1 Chuangzhe Management Consultation Limited Partnership*	H Shares	Interest in controlled corporation	39,436,621	2.46%	2.38%
蘇州翼樸一號創喆管理諮詢合夥企業(有限合夥) [3]	Domestic Shares	Interest in controlled corporation	39,436,620	72.67%	2.38%
Suzhou Suzi Investment Limited Partnership* 蘇州蘇梓投資合夥企業(有限合夥) ("**Suzhou Suzi**")	H Shares	Beneficial interest	9,859,155	0.61%	0.59%
	Domestic Shares	Beneficial interest	9,859,155	18.17%	0.59%
Suzhou Zisu Investment Consultation Limited Partnership* 蘇州梓蘇投資諮詢合夥企業(有限合夥) [4]	H Shares	Interest in controlled corporation	9,859,155	0.61%	0.59%
	Domestic Shares	Interest in controlled corporation	9,859,155	18.17%	0.59%
Shanghai Qianyu Equity Investment Fund Management Co., Ltd.* 上海前宇股權投資基金管理有限公司[4]	H Shares	Interest in controlled corporation	9,859,155	0.61%	0.59%
	Domestic Shares	Interest in controlled corporation	9,859,155	18.17%	0.59%
Suzhou Yumeng Investment Management Co., Ltd.* 蘇州宇夢投資管理有限公司[4]	H Shares	Interest in controlled corporation	9,859,155	0.61%	0.59%
	Domestic Shares	Interest in controlled corporation	9,859,155	18.17%	0.59%

Name of Shareholder	Class of Shares	Nature of Interest	Number of Shares or underlying Shares	Approximate percentage in relevant class of Shares [1]	Approximate percentage in the total registered share capital [1]
Qian Xin (錢鑫) [4]	H Shares	Interest in controlled corporation	9,859,155	0.61%	0.59%
	Domestic Shares	Interest in controlled corporation	9,859,155	18.17%	0.59%
Yinhua Changan Capital Management (Beijing) Co., Ltd.* 銀華長安資本管理(北京)有限公司[4]	H Shares	Interest in controlled corporation	9,859,155	0.61%	0.59%
	Domestic Shares	Interest in controlled corporation	9,859,155	18.17%	0.59%
Yinhua Fund Management Co., Ltd.* 銀華基金管理股份有限公司[4]	H Shares	Interest in controlled corporation	9,859,155	0.61%	0.59%
	Domestic Shares	Interest in controlled corporation	9,859,155	18.17%	0.59%
Southwest Securities Co., Ltd. (西南證券有限責任公司) [4]	H Shares	Interest in controlled corporation	9,859,155	0.61%	0.59%
	Domestic Shares	Interest in controlled corporation	9,859,155	18.17%	0.59%
Chongqing Yufu Capital Management Group Co., Ltd.* 重慶渝富資本運營集團有限公司[4]	H Shares	Interest in controlled corporation	9,859,155	0.61%	0.59%
	Domestic Shares	Interest in controlled corporation	9,859,155	18.17%	0.59%

Name of Shareholder	Class of Shares	Nature of Interest	Number of Shares or underlying Shares	Approximate percentage in relevant class of Shares [1]	Approximate percentage in the total registered share capital [1]
Chongqing Yufu Holding Group Co., Ltd.* 重慶渝富控股集團有限公司[4]	H Shares	Interest in controlled corporation	9,859,155	0.61%	0.59%
	Domestic Shares	Interest in controlled corporation	9,859,155	18.17%	0.59%
State-Owned Assets Supervision and Administration Commission of Chongqing Municipal Government [4]	H Shares	Interest in controlled corporation	9,859,155	0.61%	0.59%
	Domestic Shares	Interest in controlled corporation	9,859,155	18.17%	0.59%
Suzhou Kington Equity Investment Fund Management Co., Ltd. (蘇州翼樸股權投資基金管理有限公司) [5]	H Shares	Interest in controlled corporation	49,295,776	3.07%	2.97%
	Domestic Shares	Interest in controlled corporation)	49,295,775	90.84%	2.97%
Suzhou Private Capital Investment Holdings Co., Ltd. (蘇州民營資本投資控股有限公司) [6]	H Shares	Interest in controlled corporation	49,295,776	3.07%	2.97%
	Domestic Shares	Interest in controlled corporation	49,295,775	90.84%	2.97%
Shanghai Healthcare Capital Partnership (Limited Partnership) (上海生物醫藥產業股權投資基金合夥企業(有限合夥)) ("**SHC**")	H Shares	Beneficial interest	10,962,335	0.68%	0.66%
	Domestic Shares	Beneficial interest	3,654,111	6.73%	0.22%
Shanghai Healthcare Capital Investment Fund Co., Ltd. (上海生物醫藥產業股權投資基金管理有限公司) [7]	H Shares	Interest in controlled corporation	10,962,335	0.68%	0.66%
	Domestic Shares	Interest in controlled corporation	3,654,111	6.73%	0.22%

Notes:

(1) The calculation is based on the total number of 1,659,444,838 Shares issued, including 1,605,176,474 H Shares and 54,268,364 Domestic Shares issued as at the Latest Practicable Date.

(2) Ms. Hao Chunmei is the spouse of Mr. Su Rongyu, and is therefore deemed to the interested in the H Shares beneficially held by Mr. Su Rongyu.

(3) Suzhou Yipu No. 1 Chuangzhe Management Consultation Limited Partnership is the general manager of Kington Capital and therefore is deemed to be interested in our Shares held by Kington Capital.

(4) Suzhou Zisu Investment Consultation Limited Partnership is the general partner of Suzhou Suzi, with Suzhou Kington Equity Investment Fund Management Co., Ltd. being its general partner and Shanghai Qianyu Equity Investment Fund Management Co., Ltd. being its limited partners holding 50% partnership interest. Suzhou Kington Equity Investment Fund Management Co., Ltd. is wholly owned by Suzhou Private Capital Investment Holdings Co., Ltd. Shanghai Qianyu Equity Investment Fund Management Co., Ltd. is owned as to 40% by Suzhou Yumeng Investment Management Co., Ltd., a company owned by Qian Xin as to 99.50%.

Yinhua Changan Capital Management (Beijing) Co., Ltd. is the limited partner of Suzhou Suzi holding 69.47% partnership interest, which in turn is wholly owned by Yinhua Fund Management Co., Ltd. Southwest Securities Co., Ltd. owns 49% equity interest in Yinhua Fund Management Co., Ltd. and is owned by Chongqing Yufu Capital Management Group Co., Ltd. as to 56.63%. Chongqing Yufu Capital Management Group Co., Ltd. is a wholly owned subsidiary of Chongqing Yufu Holding Group Co., Ltd., a company wholly owned by the State-Owned Assets Supervision and Administration Commission of Chongqing Municipal Government.

Therefore, each of Suzhou Zisu Investment Consultation Limited Partnership, Suzhou Kington Equity Investment Fund Management Co., Ltd., Shanghai Qianyu Equity Investment Fund Management Co., Ltd., Suzhou Yumeng Investment Management Co., Ltd., Qian Xin, Yinhua Changan Capital Management (Beijing) Co., Ltd., Yinhua Fund Management Co., Ltd., Southwest Securities Co., Ltd., Chongqing Yufu Capital Management Group Co., Ltd., Chongqing Yufu Holding Group Co., Ltd. and the State-Owned Assets Supervision and Administration Commission of Chongqing Municipal Government is deemed to be interested in our Shares held by Suzhou Suzi.

(5) Suzhou Kington Equity Investment Fund Management Co., Ltd. is the general partner of Suzhou Yipu No. 1 Chuangzhe Management Consultation Limited Partnership and Suzhou Zisu Investment Consultation Limited Partnership, therefore deemed to be interested in our Shares held by Kington Capital and Suzhou Suzi.

(6) Suzhou Private Capital Investment Holdings Co., Ltd. holds 100% equity interest in Suzhou Kington Equity Investment Fund Management Co., Ltd. and is therefore deemed to be interested in our Shares held by Kington Capital and Suzhou Suzi.

(7) Shanghai Healthcare Capital Investment Fund Co., Ltd. is the general partner of SHC and therefore is deemed to be interested in our Shares held by SHC.

Save as disclosed above, as at the Latest Practicable Date, 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.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time from the Listing Date to the Latest Practicable Date 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.

PERMITTED INDEMNITY

The Company has purchased appropriate liability insurance for its Directors and Supervisors which provides proper protection for the Directors and Supervisors.

CONNECTED TRANSACTIONS

We have entered into, and are expected to continue, certain transactions which will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon the Listing. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, waivers in relation to certain continuing connected transactions between us and certain connected persons under Chapter 14A of the Listing Rules.

The following transactions constitute continuing connected transactions of the Company under Rule 14A.31 of the Listing Rules and are required to be disclosed in this annual report in accordance with Rule 14A.71 of the Listing Rules:

1. Procurement Framework Agreement

Our Company has entered into a procurement of products and services framework agreement on December 16, 2021 with Lepu Medical (the "**Procurement Framework Agreement**"), pursuant to which Lepu Medical and its subsidiaries and associates (excluding our Group) (the "**Lepu Medical Connected Persons**") shall supply to our Group (i) raw materials and supplementary materials for clinical trials, (ii) biological sample test services for clinical trials, (iii) employee body check services and other products for employees welfare; and (iv) other services. Lepu Medical is our substantial shareholder and our Controlling Shareholder is its actual controller.

The initial term of the Procurement Framework Agreement commenced on the Listing Date and will expire on December 31, 2023. The Company and the relevant Lepu Medical Connected Person(s) will enter into separate individual agreements or purchase orders which will set out the specific terms and conditions in accordance with the principles set out in the Procurement Framework Agreement.

We have been procuring the aforementioned products and services from the Lepu Medical Connected Persons prior to the Listing, and will continue to procure such products and services from the Lepu Medical Connected Persons for clinical trials and employee welfare as the Lepu Medical Connected Persons have been providing us with such products and services with standard and quality commensurate with our requisite safety and quality standard. As such, The Directors consider that Lepu Medical Connected Persons are familiar with our safety and quality standard and will be able to satisfy our demand efficiently and reliably with minimal disruption to our Group's operations and internal procedures.

Pricing

Procurement of (i) raw materials and supplementary materials for clinical trials and (ii) biological sample test services for clinical trials will be priced with reference to market prices of comparable products and services, while the procurement fee for body check services will be charged based on the number of our employees enrolled. Our Group implements various internal approval and monitoring procedures, including obtaining quotations on an as-needed basis from other independent suppliers of similar products and services and consider various assessment criteria (including price, quality, suitability, payment terms, and time required for the provision and delivery of the products and services) before entering into any new procurement arrangement with Lepu Medical Connected Persons, and comparing such quotes obtained with the offer from Lepu Medical Connected Persons.

Annual caps and actual amount

The actual transaction amount for the Reporting Period for transactions covered under the Procurement Framework Agreement was RMB536,675.41, and the annual caps for the years ending December 31, 2022 and December 31, 2023 are RMB5,220,000 and RMB4,650,000, respectively.

2. Technology Service Framework Agreement

Our Company has entered into a technology service framework agreement on December 16, 2021 with Hubei Waterstone (the "**Technology Service Framework Agreement**"), pursuant to which Hubei Waterstone shall provide technology services including CMC and other services to us. Hubei Waterstone is controlled as to 32.13% by Mr. Zhang Faming, a former director of Miracogen Shanghai, our wholly-owned subsidiary. Mr. Zhang Faming ceased to be a director of Miracogen Shanghai in October 2021.

The initial term of the Technology Service Framework Agreement commenced on the Listing Date and will expire on December 31, 2023. The Company and Hubei Waterstone will enter into separate individual agreements or purchase orders which will set out the specific terms and conditions in accordance with the principles set out in the Technology Service Framework Agreement.

We have outsourced CMC services to Hubei Waterstone prior to the Listing. CMC services are essential to the development of our drug candidates especially when they enter the clinical trial phase and such CMC services require sophisticated knowledge and experience that are better handled by service providers with such capabilities. It is a common industry practice for biopharmaceutical companies to engage third party service providers to provide assistance for clinical trials. The Directors consider that Hubei Waterstone, a reputable CMC service provider, can provide CMC services that satisfy our needs.

Pricing

Service fees will be charged at rates no less favorable than rates at which our Company pays Independent Third Parties for comparable transactions and will be determined by our Company and Hubei Waterstone through arm's length negotiation based on a number of factors applicable to all service providers, including but not limited to nature, complexity and value of tasks completed by Hubei Waterstone at each stage under each work order and the then prevailing market rates by obtaining and comparing against fee quotes provided by other companies.

Annual caps and actual amount

The actual transaction amount for the Reporting Period for transactions covered under the Technology Services Framework Agreement was RMB3,552,118.08, and the annual caps for the years ending December 31, 2022 and December 31, 2023 are RMB8,200,000 and RMB3,200,000, respectively.

Confirmations

The Company has confirmed that the execution and enforcement of the implementation agreements under the continuing connected transactions set out above has followed the pricing policies of such continuing connected transactions.

Save for the information disclosed above, during the Reporting Period, the Group did not enter into any other transactions which constituted connected transactions or continuing connected transactions that were subject to annual review and reporting requirements under Chapter 14A of the Listing Rules, and the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that such transactions were:

(i) entered into in the ordinary and usual course of business of the Group;

(ii) conducted either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed in the section headed "Directors' Report – Connected Transactions" in this annual report, the related party transactions as set out in note 39 to financial statements were not regarded as connected transactions or were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules.

PURCHASE, SALE AND 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 since the Listing and up to the Latest Practicable Date.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the Reporting Period or subsisted at the end of the Reporting Period.

PRE-EMPTIVE RIGHTS AND TAX RELIEF

There is no provision for the pre-emptive rights in the Articles or under the laws of the PRC, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new Shares on a pro-rata basis to its existing shareholders.

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

SUFFICIENT PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this annual report, the Company has maintained the public float as required under the Listing Rules.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at December 31, 2021 are set out in note 37 to financial statements.

MANAGEMENT CONTRACTS

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

DONATIONS

During the year ended December 31, 2021, the Group did not make any charitable donation.

COMPLIANCE WITH 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.

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.

ENVIRONMENTAL POLICY AND PERFORMANCE

We are committed to operating our business in a manner that protects environment and providing our employees with a healthy and safe workplace. We have implemented a set of policies on environment protection, employee welfare and corporate governance consistent with industry standards and in compliance with the requirements of the Listing Rules.

In order to ensure that our operations are in compliance with the applicable laws and regulations, we have implemented group-wide environmental, health and safety policies and standard operating procedures, mainly comprising of management systems and procedures relating to wastewater generation and treatment, management of process safety and hazardous substances, employee health and safety requirements, third-party safety management and emergency planning and response. In particular, our environmental, health and safety protection measures include: (i) strict compliance with the GMP qualification requirements and relevant pollutant emissions standards during our production process to reduce pollutant emissions of air and wastewater; (ii) implementation of safety guidelines with respect to employee health and safety, environmental protection and operational and manufacturing safety in laboratories and manufacturing facilities, and closely monitor internal compliance with these guidelines; (iii) storage of hazardous substances in special warehouse and contract with qualified third parties for the disposal of hazardous materials and waste on a quarterly basis; and (iv) conducting periodic environmental evaluations on exhaust gas detection and emissions, hazardous waste disposals, noise emissions, and waste water detection and emissions to make sure all operations are in compliance with the applicable laws and regulations.

In addition, we have implemented measures to identify and address potential risks relating to the environment. These measures include continuous employee trainings to enhance our employees' awareness of environment issues and skills to comply with safety and operation standards, requirements that all our employees operating specialized equipment must have the requisite certifications, timely provision of protection equipment to our employees, periodic inspection of our operational facilities, special health examinations for employees who may have contact with hazards, medical examination for employees and establishment of procedures to appropriately handle work safety incidents.

We have security officers at our engineering department and other departments that are related to safety and environment protection. These security officers formed our group level environment, health and safety ("**EHS**") management team and are in charge of the implementation of relevant policies and procedures and routine inspections. Upon identification of any EHS risks, our EHS management team will conduct investigation, compose risk assessment report and emergency response plan, and make filings with local governmental authority if required under local laws and regulations, and take all applicable measures to reduce the impact of such risks or incidents.

CORPORATE GOVERNANCE

The Board is of opinion that the Company had adopted, applied and complied with the code provisions as set out in the CG 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.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

The Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

AUDITORS

The consolidated financial statements of the Group for the year ended December 31, 2021 have been audited by PricewaterhouseCoopers who will retire at the 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 AGM.

AGM AND CLOSURE OF REGISTER OF MEMBERS

The AGM will be held on June 21, 2022. A notice convening the AGM will be published on the Company's website and the Stock Exchange's website and dispatched to the Shareholders in accordance with the requirements of the Listing Rules in due course. For the purposes of determining the Shareholders' eligibility to attend, speak and vote at the AGM, the Register of Members will be closed as appropriate as set out below:

FOR DETERMINING THE ENTITLEMENT TO ATTEND AND VOTE AT THE AGM

The Register of Members will be closed from May 21, 2022 to June 21, 2022, both days inclusive, during which period no transfer of Shares will be effected. In order to determine the identity of members who are entitled to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on May 20, 2022.

By order of the Board of
Lepu Biopharma Co., Ltd.
Dr. Pu Zhongjie
Chairman and Executive Director

Shanghai, the PRC
April 25, 2022

REPORT OF THE SUPERVISORY COMMITTEE

WORK OF THE SUPERVISORY COMMITTEE IN 2021

In 2021, the Supervisory Committee of the Company conscientiously performed its supervising responsibilities on a good faith basis in strict compliance with the relevant requirements of applicable laws and regulations, including the Company Law, and the Articles, by obtaining an understanding of the Company's production and operational conditions, financial position, operational decision making and investment and financing plans and supervising the performance of duties by the Directors and senior management of the Company, to safeguard the legitimate rights and interests of the Company and the Shareholders as a whole and strictly and effectively monitor the operational compliance of the Company.

For the year ended December 31, 2021, the Supervisory Committee of the Company held a total of 5 meetings. All the Supervisors have conducted their work and performed their duties and obligations with due diligence in accordance with the requirements of normative documents such as the *Rules of Procedure of the Supervisory Committee*. During the Reporting Period, no incidence of Directors or senior management prejudicing the Company's interests or violating the laws, regulations or the Articles was noted by the Supervisory Committee. The Company operates well in compliance with the law and has established sound financial policies and internal control and risk management systems.

2022 WORK PLAN

In 2022, the Supervisory Committee will continue to strictly comply with the requirements of the law and regulations and the internal rules and systems of the Company to perform all its duties with due diligence and actively review each resolution and oversee the performance of duties by the Directors and senior management of the Company. The Supervisory Committee will enhance its communication with the Board and the management, pay attention to the building of the Company's risk management and internal control systems and promote the improvement of the corporate governance structure and the operational compliance of the Company.

By order of the Supervisory Committee of

Lepu Biopharma Co., Ltd.
Mr. Xu Yang
Chairman of the Supervisory Committee

Shanghai, the PRC
April 25, 2022

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the Company's corporate governance report in this annual 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 to achieve effective accountability. The Group is committed to achieve high standards of corporate governance with a view to safeguard the interests of the Shareholders as a whole.

The Company's H shares have been listed on the Stock Exchange since February 23, 2022. The CG Code was not applicable to the Company during the Reporting Period but has become applicable to the Company since the Listing Date. The Company has adopted the CG Code as its own code of corporate governance since the Listing Date, and the Company has complied with all applicable code provisions as set out in the CG Code (as it was applicable to corporate governance reports during the Reporting Period) during the period from the Listing Date up to and including the date of this annual report.

BOARD OF DIRECTORS

Composition of the Board

The Company is committed to the view that the Board should include a balanced composition of executive Directors, non-executive Directors and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

As at the date of this annual report, the Board consists of three executive Directors, namely Dr. Pu Zhongjie (chairman of the Board), Dr. Sui Ziye (Chief Executive Officer), and Dr. Hu Chaohong (Co-Chief Executive Officer), three non-executive Directors, namely Ms. Pu Jue, Mr. Yang Hongbing, Mr. Lin Xianghong, and three independent non-executive Directors, namely Mr. Zhou Demin, Mr. Yang Haifeng and Mr. Fengmao Hua.

Their biographical details are set out in the "Biographies of Directors, Supervisors and Senior Management" section of this report. The overall management and supervision of the Company's operation and the function of formulating overall business strategies were vested in the Board. Dr. Pu Zhongjie is the father of Ms. Pu Jue. Other than that, there is no family or blood relationship among members of the Board.

From the Listing Date up to and including the date of this annual report, the Board has 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 three independent non-executive Directors represent 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 that there is sufficient independence element in the Board to safeguard the interest of Shareholders.

Chairman and Chief Executive Officer

Code Provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

From the Listing Date up to and including the date of this annual report, in line with the recommendations under the Listing Rules, the roles and functions of the chairman of the Board and the chief executive officer of the Company were taken up by different individuals, and their respective duties were clearly defined.

From the Listing Date up to and including the date of this annual report, Dr. Pu Zhongjie held the position of the chairman of the Board, and Dr. Sui Ziye and Dr. Hu Chaohong held the positions as the chief executive officer and co-chief executive officer, respectively, of the Company, responsible for the daily operation and management of the Company.

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.

Liability insurance for Directors and senior management of the Company is maintained by 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, co-ordinate 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.

Directors' Responsibilities for Financial Statements

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Directors also acknowledge their responsibilities to ensure that the consolidated financial statements of the Group are published in a timely manner. The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the consolidated financial statements of the Group on a going concern basis.

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 judgement on issues of the Company's strategies, performance and control as well as scrutinizing the Company's performance and monitoring performance reporting.

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

Mr. Zhou Demin and Mr. Yang Haifeng were appointed from December 10, 2020. Mr. Fengmao Hua was appointed from December 16, 2021. All independent non-executive Directors are appointed for a term until the expiration of the term of its first session of the Board on December 9, 2023.

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

The Company has adopted the board diversity policy which sets out the objective and approach for achieving and maintaining diversity of the Board in order to enhance its effectiveness. In accordance with the board diversity policy, the Company seeks to achieve board diversity by taking into account a number of factors, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience.

The Board consists of six male members and three female members, achieving a female representation and gender diversity on the Board of approximately 33%. Our Directors are aged between 30 to 60 years old and with three Directors of 50 years old or below and six Directors of 50 years old or above. Based on our review of the membership and composition of the Board, the Company is of the view that the structure of the Board is reasonable, and the experiences and skills of the Directors in various aspects and fields can enable the Company to maintain a high standard of operation. The Nomination Committee is responsible for reviewing the diversity of the Board.

Upon Listing, the Nomination Committee will continue to monitor and evaluate the implementation of the board diversity policy from time to time to ensure its continued effectiveness and disclose in the 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.

Our diversity philosophy including gender diversity was also generally followed within our workforce, and as at the date of this annual report, five of our senior management members out of eight are female, achieving a female representation of approximately 62.5% parity in this regard, and 40.63% of our total workforce were male. The Company will also continue to take steps to promote gender diversity at all levels of the Company.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Pursuant to the requirements of the Articles, Directors (including non-executive Directors) shall be elected at the general meeting with a term of three years. Each of the current non-executive Directors have been appointed for a term of three years commencing on December 10, 2020. A Director may serve consecutive terms if re-elected upon the expiry of his/her term. The Company has implemented a set of effective procedures for the appointment of new Directors. The nomination of new Directors shall be first deliberated by the Nomination Committee and then submitted to the Board, subject to approval by election at the general meeting.

Each of the executive Directors, non-executive Directors, independent non-executive Directors and Supervisors has entered into a service contract or a letter of appointment with the Company with a specific term. Such term is subject to his retirement and re-election at the annual general meeting of the Company in accordance with the Articles.

Save as disclosed above, the Company did not sign any relevant unexpired service contract which is not terminable within a year without payment of any compensation, other than statutory compensation.

COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The emoluments of the Directors, Supervisors and senior management of the Company are decided by the Board with reference to the recommendation given by the Remuneration and Appraisal Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

Details of the Directors' emoluments and emoluments of the five highest paid individuals in the Group are set out in notes 40 and 8 to financial statements on pages 180 to 183, and pages 139 to 140 of this annual report. Details of the Directors', Supervisors' and senior managements' emoluments are set out in note 40 to financial statement on page 180 to 183 of this annual report.

For the year ended December 31, 2021, there was no remuneration paid or payable by the Company to any of the Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining the Company or as compensation for loss of office.

None of the Directors or Supervisors has waived any emoluments or benefits in kind for the year ended December 31, 2021.

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

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

Pursuant to the requirements of Code Provision C.1.4 of the CG Code, all Directors will continue to participate in continuous professional development and provide the Company with records of the training they received to ensure that their contributions to the Board remain informed and relevant. Every newly appointed Director will be given a comprehensive, formal and tailored induction on appointment. Subsequently, Directors will receive updates on the Listing Rules, legal and other regulatory requirements and the latest development of the Group's business. All Directors are encouraged to attend relevant training courses and the Company will arrange relevant trainings when necessary.

During the year ended December 31, 2021, all Directors have participated in a training session conducted by Clifford Chance, the Company's legal adviser as to Hong Kong laws for the purpose of the Global Offering, on directors' duties, responsibilities and obligations under the Listing Rules and the SFO. Relevant materials including legal and regulatory updates have been provided to the Directors for their reference and studying. Pursuant to the requirements of the Code Provision C.1.4 of the CG Code, all Directors have provided the Company with records of the training they received to ensure that their contributions to the Board remain informed and relevant.

BOARD MEETINGS

Pursuant to Code Provision C.5.1 of the CG Code, the Company has adopted the practice of holding Board meetings for at least four times a year at approximately quarterly intervals. Notice of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting in accordance with Code Provisions C.5.2 and C.5.3 of the CG Code.

All Directors are provided with agenda and relevant information in advance before a Board meeting. They have access to the senior management and the joint company secretaries of the Company at all times and, upon reasonable request, may seek independent professional advice at the Company's expense.

Minutes of Board meetings are kept by the secretary to the Board with copies circulated to all Directors for information and records. Minutes of Board meetings and committee meetings record sufficient detail of the matters considered by the Board and the committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of Board meetings and committee meetings are sent to the Directors for comments within a reasonable time after the date on which a meeting is held. The minutes of the Board meetings are open for inspection by Directors.

Attendance Record of Directors and Committee Members

As the Company was only listed on February 23, 2022, the attendance record of each Director during their respective tenure of office at the Board and the relevant Board committee meeting(s) and the general meeting(s) of the Company held between the Listing Date and the date of this annual report is set out in the table below:

	Attendance/Number of meetings						
Name of Director	Board	Audit Committee	Nomination Committee	Remuneration and Appraisal Committee	Strategy Committee	Annual general meeting	Other general meetings
Dr. Pu Zhongjie	2/2	N/A	1/1	0/0	1/1	0/0	0/0
Dr. Sui Ziye	2/2	N/A	N/A	N/A	1/1	0/0	0/0
Dr. Hu Chaohong	2/2	N/A	N/A	N/A	N/A	0/0	0/0
Ms. Pu Jue	2/2	2/2	N/A	N/A	N/A	0/0	0/0
Mr. Yang Hongbing	2/2	N/A	N/A	N/A	N/A	0/0	0/0
Mr. Lin Xianghong	2/2	N/A	N/A	N/A	N/A	0/0	0/0
Mr. Zhou Demin	2/2	N/A	1/1	N/A	1/1	0/0	0/0
Mr. Yang Haifeng	2/2	2/2	1/1	0/0	N/A	0/0	0/0
Mr. Fengmao Hua	2/2	2/2	N/A	0/0	N/A	0/0	0/0

NOMINATION POLICY

The primary responsibilities of the Nomination Committee include to consider and recommend to the Board suitable and qualified candidates of Directors and to review the structure, size and composition of the Board and the board diversity policy adopted by the Company on a regular basis.

The Nomination Committee may consult any source it deems appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, advertising, recommendations from third-party agency firm, and proposals properly submitted by the Shareholders. The Board will consider the recommendations of the

Nomination Committee and shall have the final decision on all matters relating to recommending candidates to stand for election at any general meeting or appointing the suitable candidate to act as the Director to fill the Board vacancies or as an addition to the Board members, subject to compliance with the constitutional documents of the Company. All appointments of Director should be confirmed by a letter of appointment and/or service contract setting out the key terms and conditions of the appointment of Directors.

The Nomination Committee will assess, select and recommend candidate(s) for directorships to the Board by giving due consideration to criteria including but not limited to:

- Reputation for character and integrity;
- Accomplishment and experience in the relevant industries in which the Company's business is involved and other professional qualifications;
- Skills that are complementary to those of the existing Board;
- Commitment for responsibilities of the Board in respect of available time and relevant interest;
- Diversity in aspects including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service;
- Contribution that the candidate(s) can potentially bring to the Board;
- Plans in place for the orderly succession of the Board; and
- (in relation to the candidate(s) for independent non-executive directorship), factors set out in Rules 3.10(2) and 3.13 of the Listing Rules.

The Nomination Committee may also consider such other factors as it may deem are in the best interests of the Company and the Shareholders as a whole.

During the period from the Listing Date to the date of this annual report, there was no change in the composition of the Board.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

As the Company's shares have not been listed on the Stock Exchange during the year ended December 31, 2021, the provisions regarding compliance with the Model Code under the Listing Rules were not applicable to the Company during the year ended December 31, 2021.

Following the Listing, the Company has adopted the Model Code as its own code of conduct regarding securities transactions by the Directors and the Supervisors. Specific enquiries have been made to all the Directors and Supervisors and each of them has confirmed that he/she has complied with the Model Code from the Listing Date to the Latest Practicable Date.

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

REMUNERATION PAYABLE TO MEMBERS OF SENIOR MANAGEMENT

Pursuant to Code Provision E.1.5 of the CG Code, the annual remuneration of members of the senior management (other than Directors) by band for the year ended December 31, 2021 is set out below. Directors' remuneration policy is provided in the section headed "Corporate Governance Report – Board of Directors – Compensation of Directors, Supervisors and Senior Management" in this annual report.

	Number of members of senior management
Nil to RMB1,000,000	–
RMB1,000,001 to RMB5,000,000	1
RMB5,000,001 to RMB10,000,000	1
Over RMB10,000,001	4

DIVIDEND POLICY

No dividends have been declared or paid by entities comprising the Group. The Company currently expects to retain all future earnings for use in operation and expansion of the Group's business. No dividend shall be declared or payable except out of profits and reserves lawfully available for distribution.

As confirmed by the Company's PRC Legal Adviser, according to relevant PRC laws, any future net profit that the Company makes will have to be first applied to make up for our historically accumulated losses, after which the Company will be obliged to allocate 10% of the net profit to statutory common reserve fund until such fund has reached more than 50% of the registered capital. The Company will therefore only be able to declare dividends after (i) all historically accumulated losses have been made up for; and (ii) sufficient net profit has been allocated to the statutory common reserve fund as described above.

The Company has adopted a policy on payment of dividends pursuant to Code Provision F.1.1 of the CG Code taking into consideration of various factors including but not limited to, among other things, the actual/projected financial performance of the Group, operational capital need, cash flow, future expansion plans, current and future liquidity condition, internal and external circumstances that may impact upon the Company's business or financial performance or condition, or any other conditions which the Board may deem relevant. The policy sets out the factors in consideration, procedures and methods of the payment of dividends. The distribution of dividends will be formulated by the Board, and will be subject to Shareholders' approval.

CORPORATE GOVERNANCE FUNCTIONS

In accordance with Code Provision A.2.1 of the CG Code, 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 (CG Code) and disclosure in the Corporate Governance Report.

The Board has performed the above duties from the Listing Date up to and including the date of this annual report.

BOARD COMMITTEES

The Board has established four committees, namely, the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee and the Strategy Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authorities and duties pursuant to paragraph C.4 of the CG Code.

Audit Committee

The Company has established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraphs C.4 and D.3 of the CG Code. The Audit Committee consists of Mr. Fengmao Hua, Mr. Yang Haifeng and Ms. Pu Jue.

The chairman of the Audit Committee is Mr. Fengmao Hua and he is our independent non-executive Director with the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary responsibilities of the Audit Committee are to review and supervise the Company's financial reporting process, including:

- to make recommendations to the Board on the appointment, replacement and removal of the external auditor, approve the remuneration and terms of engagement of the external auditor, and deal with all matters of the resignation or dismissal of external auditor;
- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards and to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- to develop and implement policy on engaging an external auditor to provide non-audit services;
- to review the financial control, internal control and risk management system of the Company;
- to discuss with the management on risk management and internal control system to ensure that the management has performed its duty to maintain an effective risk management and internal control system;

- to monitor the internal audit system of the Company and ensure the implementation of such systems;
- to facilitate communications between the internal audit department and the external auditor;
- to review the external auditor's audit letter to the management, major queries raised by the external auditors about accounting records, financial accounts or control systems and the response of the management;
- to review the financial and accounting policies and practices of the Company;
- to review the financial information and relevant disclosures of the Company; and
- to monitor the Company in respect of financial reporting system, risk management and internal controls system.

During the period from the Listing Date and up to the date of this annual report, the Audit Committee has mainly performed the following duties:

- reviewed the Group's audited annual results for the year ended December 31, 2021;
- made recommendations to the Board on the appointment of the external auditor and the remuneration and terms of engagement of the external auditor; and
- reviewed and monitored the financial control, internal control and risk management system of the Group.

As the Company was only listed on February 23, 2022, no meeting was held by the Audit Committee during the year ended December 31, 2021. For the period from the Listing Date up to and including the date of this annual report, the Audit Committee has held two meetings to review (among other things) the draft audited annual consolidated financial statements and significant issues on the financial reporting, the draft annual results announcement, the draft annual report, the effectiveness and sufficiency of the risk management and internal control systems, the effectiveness of the Company's internal audit function, and the appointment of external auditors. The attendance records of the Audit Committee during the period from the Listing Date to the date of this annual report are set out under "Corporate Governance Report – Board of Directors – Board Meetings – Attendance Record of Directors and Committee Members" of this annual report.

Remuneration and Appraisal Committee

The Company has established a Remuneration and Appraisal Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1 of the CG Code. The Remuneration and Appraisal Committee consists of Mr. Yang Haifeng, Mr. Fengmao Hua, Dr. Pu Zhongjie, and is chaired by Mr. Yang Haifeng. The primary responsibilities of the Remuneration and Appraisal Committee include:

- to make recommendations to the Board on the Company's remuneration policy and structure for all Directors, Supervisors and senior management, and on the establishment of a formal and transparent procedure for developing the remuneration policy;

- to review and approve the remuneration proposals of senior management with reference to the Board's corporate goals and objectives;

- to make recommendations to the Board on the remuneration packages of the executive Director and senior management or to determine, with delegated responsibility, the remuneration packages of the executive Director and senior management. The remuneration packages shall include benefits in kind, pension rights and compensation payments (including compensation for loss or termination of their office or appointment);

- to make recommendations to the Board on the remuneration of non-executive Directors;

- to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

- to review and approve the compensation payable to the executive Director and senior management for their loss or termination of office or appointment to ensure that such compensation is consistent with the contractual terms and is otherwise fair and not excessive;

- to review and approve the compensation arrangements relating to dismissal or removal of the Directors for misconduct to ensure that such compensation is consistent with the contractual terms and is otherwise fair and not excessive; and

- to ensure that no Director or any of their associates is involved in deciding that Director's own remuneration.

As the Company was only listed on February 23, 2022, no meeting was held by the Remuneration and Appraisal Committee during the year ended December 31, 2021 and up to the date of this annual report.

Nomination Committee

The Company has established a Nomination Committee with written terms of reference in compliance with paragraph B.3 of the CG Code. The Nomination Committee consists of Mr. Zhou Demin, Mr. Yang Haifeng, Dr. Pu Zhongjie. Mr. Zhou Demin is the chairman of the Nomination Committee. The primary responsibilities of the Nomination Committee include:

- to review the structure, size and composition of the Board (including the skills, knowledge and experience) at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- to identify individuals suitably qualified to become board members and select and make recommendations to the Board on the selection of individuals nominated for directorships;

- to assess the independence of the independent non-executive Directors;

- to develop and maintain a policy for the nomination of the directors;

- to develop and maintain a policy concerning diversity of the board of directors, and to review periodically and disclose the policy in the corporate governance report;

- to review annually the time required to be devoted by the non-executive directors and independent non-executive directors; and

- to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

As the Company was only listed on February 23, 2022, no meeting was held by the Nomination Committee during the year ended December 31, 2021. For the period from the Listing Date up to and including the date of this annual report, the Nomination Committee has held one meeting. The attendance records of the Nomination Committee during the period from the Listing Date to the date of this annual report are set out under "Corporate Governance Report – Board of Directors – Board Meetings – Attendance Record of Directors and Committee Members" of this annual report.

Strategy Committee

The Company has established a Strategy Committee, which consists of Dr. Pu Zhongjie, Dr. Sui Ziye, and Mr. Zhou Demin. Dr. Pu Zhongjie is the chairman of the Strategy Committee. The primary responsibilities of the Strategy Committee include:

- to conduct research and make recommendations for the long-term strategic development plans of the Company;

- to conduct research and make recommendations for major investment plans which are subject to the approval of the Board;

- to conduct research and make recommendations for major capital operation and asset operation projects which are subject to the approval of the Board;

- to review the annual investment plan of the Company;

- to conduct research and make recommendations for major investment programs which are subject to the approval of the Board; and

- other duties as conferred by the Board.

As the Company was only listed on February 23, 2022, no meeting was held by the Strategy Committee during the year ended December 31, 2021. For the period from the Listing Date up to and including the date of this annual report, the Strategy Committee has held one meeting. The attendance records of the Strategy Committee during the period from the Listing Date to the date of this annual report are set out under "Corporate Governance Report – Board of Directors – Board Meetings – Attendance Record of Directors and Committee Members" of this annual report.

SUPERVISORY COMMITTEE

The Supervisory Committee is a supervisory body of the Company which is responsible for the supervision of the Board and its members and senior management such as the general manager and deputy general manager so as to prevent them from the misuse of authority and infringement upon lawful rights of the Shareholders, the Company and the Company's employees. The number of members and the composition of the Supervisory Committee are in line with the provisions and requirements of the laws, regulations and the Articles. From the Listing Date up to and including the date of this annual report, the Supervisory Committee was comprised of three Supervisors, of whom one was an employee representative supervisor democratically elected by staff and workers congress of the Company. The background and biographical details of the supervisors are set out in the section headed "Biographies of Directors, Supervisors and Senior Management" in this annual report.

FINANCIAL REPORTING SYSTEM, RISK MANAGEMENT, AND INTERNAL CONTROL SYSTEM

Financial Reporting System

The Directors acknowledge their responsibility for preparing the consolidated financial statements for the year ended December 31, 2021, which give a true and fair view of the affairs of the Company and the Group and of the Group's financial performance and cash flows. The Directors also acknowledge their responsibilities to ensure that the consolidated financial statements of the Group are published in a timely manner.

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

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

Risk Management and Internal Control

The Company is exposed to various risks in its business operations and the Company recognizes that risk management is critical to its success. Please refer to the "Directors' Report – Principal Risks and Uncertainties" section of this report for a discussion of various operational risks and uncertainties faced by the Company.

The Company is devoted to establishing and maintaining risk management and internal control systems consisting of policies, procedures and risk management methods that are considered to be appropriate for the Company's business operations, and the Company is dedicated to continuously improving these systems. The Company has adopted and implemented comprehensive internal control and risk management policies in various aspects of our business operations. Such systems are designed to manage rather than eliminate the risk of failing to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. In accordance with Code Provisions D.2.1 and D.2.4 of the CG Code, the Board, supported by the Audit Committee, confirms its responsibility for the Company's risk management and internal control systems and will oversee and review their effectiveness on an annual basis. The Company considers that the Directors and the senior management possess the necessary knowledge and experience in providing good corporate governance oversight in connection with risk management and internal control.

The Audit Committee will oversee and manage the overall risks associated with the Company's business operations, including:

(i) reviewing the financial control, internal control, and risk management system of the Company;

(ii) discussing with the management on risk management and internal control system to ensure that the management has performed its duty to maintain an effective risk management and internal control system with consideration to, among others,

  a. the adequacy of resources;

  b. qualifications, experience and training of staff;

  c. budget pertaining to the accounting and financial reporting functions;

(iii) considering major investigation findings on risk management and internal control on its own initiative or as delegated by the Board and the management's response to those findings;

(iv) monitoring the Company in respect of financial reporting system, risk management and internal control system;

(v) reviewing the risk management strategies and solutions for major risk management issues; and

(vi) to assess and determine the environmental, social and governance risks of the Company, to ensure the establishment of an appropriate and effective control system for environmental, social and governance risks and internal control system.

The Company has adopted and will continue to adopt, among other things, the following risk management measures:

Financial Reporting Risk Management

The Company has in place a set of accounting policies in connection with the Company's financial reporting risk management, such as financial reporting management policies and budget management policies. The Company has various procedures in place to implement accounting policies and the finance department reviews the management accounts based on such procedures. The Company also provides regular training to the finance department staff to ensure that they understand the financial management and accounting policies and implement them in the Company's daily operations.

Information System Risk Management

Sufficient maintenance, storage and protection of user data and other related information is critical to the Company's success. The Company has implemented relevant internal procedures and controls to ensure that user data is protected, and that leakage and loss of such data is avoided. The Company provides information security training to the employees and conduct ongoing trainings and discuss any issues or necessary updates from time to time.

Patient Data Management

The Company has taken measures to maintain the confidentiality of the medical records and personal data of subjects enrolled in the clinical trials the Company collected. The measures include encrypting such information in the information technology system so that it cannot be viewed without proper authorisation, as well as setting internal rules requiring employees to maintain the confidentiality of the subjects' medical records.

Quality Control Risk Management

The Company's quality control system is an essential component of the risk management and internal control system. The quality control measures cover all aspects of the Company's manufacturing operations, including design and construction of manufacturing facilities, the installation and maintenance of manufacturing equipment, procurement of raw materials and packaging materials, quality checks of raw materials, work-in-progress and finished products, monitoring adverse drug reactions and verification of documentation. The procedures and methodologies of the Company's quality control system are based on GMP standards, the PRC Pharmacopoeia and other applicable domestic and international standards.

Anti-bribery and Anti-kickback

The Company strictly prohibits bribery or other improper payments in any of the business operations. This prohibition applies to all business activities anywhere in the world, whether involving government officials, medical professionals or private or public payors. Improper payments prohibited by this policy include bribes, kickbacks, excessive gifts or entertainment, or any other payment made or offered to obtain an undue business advantage. The Company keeps accurate books and records that reflect transactions and asset dispositions in reasonable details. The Company also ensures that the commercialization team complies with applicable promotion and advertising requirements, which include restrictions on promoting drugs for unapproved uses or patient populations and limitations on industry-sponsored scientific and educational activities.

Human Resources Risk Management

The Company formulates recruitment plan based on the turnover rate and future business plan, and constantly improves recruitment process with the aid of information technology.

Internal Control Systems

The Company has designed and adopted strict internal procedures to ensure the compliance of business operations with the relevant rules and regulations. The Company's internal audit team is responsible for:

- working closely with the external auditor for annual auditing, reviewing, analysing, and following up on the advice of the external auditor;
- performing risk assessment and monitoring the adequacy and effectiveness of the risk management and internal control system of the Company;
- reporting the review on risk management and internal control system to the Audit Committee; and
- working closely with business groups to promote risk awareness.

In accordance with the Company's procedures, financial and legal departments examine contract terms and review all relevant documents for the business operations, including licenses and permits obtained by the vendors and all the necessary underlying due diligence materials, before the Company enter into any agreement or business arrangements.

The executive committee of the Company, which comprises senior management and functional heads, oversees and manages the overall risks associated with the Company's business operations, including:

- reviewing and approving the Company's risk management policy to ensure that it is consistent with the corporate objectives;
- reviewing and approving the Company's corporate risk tolerance;
- monitoring the most significant risks associated with the Company's business operation and the management's handling of such risks;
- reviewing the Company's corporate risk in the light of the corporate risk tolerance; and
- monitoring and ensuring the appropriate application of the Company's risk management framework.

The regulatory affairs department oversees the obtaining of any requisite governmental pre-approvals or consents, including:

- formulating and updating the Company's risk management policy and target;
- promulgating risk management measures;
- providing guidance on the Company's risk management approach to the relevant departments;
- reviewing the relevant departments' reporting on key risks and providing feedbacks;
- supervising the implementation of the Company's risk management measures by the relevant departments;
- reporting to the executive committee on material risks; and
- ensuring that the appropriate structure, processes and competences are in place across the Group.

For IP-related issues, in particular, we have engaged third party IP legal advisers to assist us in registering and applying for and reviewing the relevant patent and trademark rights of our IPs. The Company has also engaged a Compliance Adviser to provide advice to the Directors and management team regarding matters relating to the Listing Rules. The Compliance Adviser is expected to provide support and advice regarding the requirements of relevant regulatory authorities, including those relating to corporate governance, on a timely basis. The Company has also engaged a PRC Legal Adviser to advise it on, and keep it abreast with, PRC laws and regulations.

At present, the Company has built internal control policies covering procurement, supplier management, research and development, clinical trial registry management, product storage, system maintenance, software management, insurance and capital management, tax management, human resources and compensation management, information security and intellectual property rights, financial reporting and disclosure and other business processes. As the CG Code only becomes applicable to the Company from the Listing Date, the Company is in the process of adopting a whistleblowing policy, and policies that further promote and support anti-corruption laws and regulation on top of the aforementioned current anti-corruption and anti-bribery systems in accordance with the CG Code Code Provisions D.2.6 and D.2.7. The Company has also engaged an independent internal control consultant to review and provide recommendations to the Company on its internal controls before the Listing.

The Board, as supported by the Audit Committee as well as the management, reviewed the risk management and internal control systems from the Listing Date up to and including the Latest Practicable Date, and considered that such systems are effective and adequate.

HANDLING OF INSIDE INFORMATION

The Company has adopted policies in respect of the confidentiality management of the Company's information and the disclosure of inside information, sensitive information or confidential information in accordance with the SFO and the Listing Rules to ensure confidentiality when handling inside information and the publication of relevant disclosures to the public as soon as practicable. Under this policy, the Company disseminates information to specified persons on a need-to-know basis, and requires all employees who have access to the inside information to maintain strict confidentiality of the inside information until it is announced. The policy also sets out the procedures for identifying, handling and monitoring inside information or sensitive or confidential information, the scope of inside information and the procedures and precautionary measures for reporting or leakage of inside information of the Group.

AUDITOR'S REMUNERATION

The Company appointed PricewaterhouseCoopers as the external auditor for the year ended December 31, 2021. A statement by PricewaterhouseCoopers about their reporting responsibilities for the financial statements is included in the Independent Auditor's Report on pages 94 to 100. The remunerations paid to PricewaterhouseCoopers in respect of its audit services and non-audit services for the year ended December 31, 2021 are as follows:

Service	**Fees paid** (RMB'000)
Audit services	1,000
Non-audit services	170
Total	1,170

The above remuneration excluded the service fees paid/payable to PricewaterhouseCoopers as the reporting accountant of the Company in connection with the Global offering.

The Audit Committee was satisfied that the non-audit services provided by PricewaterhouseCoopers in 2021 did not affect its independence as the Company's auditor.

JOINT COMPANY SECRETARIES

The Company appointed Ms. Li Yunyi, a full-time employee of the Company, and Ms. Lai Siu Kuen, a director of Tricor Services Limited, an external service provider, as joint company secretaries of the Company on April 18, 2021. Ms. Li, who is also the chief financial officer and the secretary to the Board, is the primary corporate contact person at the Group, which would work and communicate with Ms. Lai on the Company's corporate governance and secretarial matters.

In compliance with Rule 3.29 of the Listing Rules, from the Listing Date, the joint company secretaries will undertake professional training for not less than 15 hours in each financial year. The biographies of Mr. Li and Ms. Lai are set out in the "Biographies of Directors, Supervisors and Senior Management" section of this report.

All Directors have access to the advice and services of the joint company secretaries on corporate governance and board practices related matters.

SHAREHOLDERS' INFORMATION

Important Shareholders' Dates

Financial Calendar 2022

Announcement of the 2021 annual result	March 29, 2022
Publication of the 2021 annual report	April 25, 2022
2022 annual general meeting	June 21, 2022

For Shareholders to Attend and Vote at 2022 Annual General Meeting

Latest time to lodge transfer documents for registration with the Company's H Share Registrar in Hong Kong	4:30 p.m. on May 20, 2022
Closure of the Register of Members (both days inclusive)	May 21, 2022 – June 21, 2022

PUBLIC FLOAT

On the basis of information publicly available to the Company and to the best knowledge of the Directors, approximately 40% of the Company's issued shares were held by members of the public as at the Latest Practicable Date.

SHAREHOLDERS' RIGHTS

Right to Convene Extraordinary General Meeting

Pursuant to the Articles, Shareholders severally or jointly holding 10% or more of the shares of the Company shall be entitled to request the Board to convene an extraordinary general meeting in writing.

The Board shall, pursuant to laws, administrative regulations and the Articles, inform in writing whether it agrees or disagrees to convene the extraordinary general meeting within 10 days upon receipt of the request.

If the Board agrees to convene the extraordinary general meeting, it shall serve a notice of such meeting within 5 days after the resolution is made by the Board. In the event of any change to the original proposal set forth in the notice, the consent of relevant Shareholders shall be obtained.

If the Board does not agree to hold the extraordinary general meeting or fails to respond within 10 days upon receipt of the request, Shareholders severally or jointly 10% or more of the shares of the Company shall be entitled to propose to the Supervisory Committee to convene an extraordinary general meeting in writing.

If the Supervisory Committee agrees to convene the extraordinary general meeting, it shall serve a notice of such meeting within 5 days upon receipt of the said request. In the event of any change to the original proposal set forth in the notice, the consent of relevant Shareholders shall be obtained.

In case of failure to issue the notice of extraordinary general meeting within the prescribed period, the Supervisory Committee shall be deemed as failing to convene general meeting and the Shareholders severally or jointly holding 10% or more shares of the Company for 90 or more consecutive days may convene and preside over such meeting by itself/themselves.

Right to Put Forward Proposals at a General Meeting

When a general meeting is convened by the Company, Shareholders who severally or jointly hold 3% or more of the shares of the Company, shall be entitled to make proposals to the general meetings and submit them in writing to the convener 10 days before the convening of the general meeting. The convener shall issue a supplemental notice of the general meeting within 2 days upon receipt of the proposals and announce the contents of the proposals.

Right to Propose a Person for Election as a Director

Shareholders may nominate a person for election as a Director of the Company at a general meeting.

Shareholders who individually or jointly hold above 3% of the Company's shares have the right to propose a motion to nominate a person for a directorship and submit it to the Board in writing 7 days before the date of the general meeting.

The written notice regarding the intention to nominate a candidate for a directorship and the indication of the candidate's willingness to accept the nomination shall be issued to the Company not less than 7 days before the date of the general meeting and such notice period shall not be less than 7 days. The period for issuing such notice to the Company shall commence on the day after the despatch of the notice of the general meeting for the election of directors and end on the 7th day before the date of the general meeting.

Right to Directing Enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing to the Company's headquarters and principal place of business in China at 2nd Floor, Building 41, Lane 518, Xinzhuan Road, Songjiang District, Shanghai, PRC. Shareholders may also make enquiries with the Board at the general meetings of the Company.

EFFECTIVE COMMUNICATIONS WITH SHAREHOLDERS

The Company has in place a Shareholders' communication policy to ensure that Shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness. The Company continuously attaches great importance to maintaining and developing investor relations for a long time, enhances transparency of the corporate information by promptly and effectively releasing the corporate information to the public, which has established effective channels for the Company to communicate with Shareholders.

The Company publishes its announcements, financial information, and other relevant information on its website (www.lepubiopharma.com) and the website of Stock Exchange (www.hkexnews.hk), as a channel to facilitate effective communication.

The Board welcomes Shareholders' views and encourages them to attend general meetings to convey any concerns they might have to the Board or the management. Members of the Board (in particular chairpersons of board committees or their delegates), key management officers and external auditors will attend annual general meetings. At the general meetings, all Shareholders attending the meeting may make enquiries to the Directors and other management in respect of matters relevant to the resolutions. The Company has published detailed contact methods through its website, notices of the general meeting, circulars to the Shareholders and annual reports for Shareholders to express their views or make enquiries.

In compliance with the Listing process, the Company updated the Shareholders' communication policy in 2021 and is satisfied that the current policy is adequate and effective.

INVESTOR RELATIONS

The Company considers it crucial to provide investors with accurate information in a timely manner and maintains communication with investors through effective communication channels, with an aim to enhance mutual understanding between investors and the Company and to improve the transparency of the Company's information disclosure.

In accordance with the Listing Rules, the Company shall duly disseminate its corporate information via various channels, including regular reports, announcements and company website.

THE ARTICLES OF ASSOCIATION

There has been no change to the Company's constitutional documents since the Listing Date. The Company's Articles is available on the Company's website and the Stock Exchange's website.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

I. ABOUT THE REPORT

This is the first environmental, social and governance report (the "**Report**") issued by Lepu Biopharma Co., Ltd. It aims to disclose the performance and outcomes in respect of environmental, social and governance (the "**ESG**") areas of the Company during 2021 to the stakeholders. In order to fully understand the ESG practices and measures of the Company, the Report should be read in conjunction with the section headed "Corporate Governance Report" in the annual report and "Corporate Governance" on the website of the Company.

• Reporting Boundary

Unless otherwise specified, the Report covers the actual business scope of Lepu Biopharma Co., Ltd. and its holding companies ("**Lepu Biopharma**", the "**Company**" or "**us**" or "**our**"). Unless otherwise specified, the Reporting Period of the Report is from January 1, 2021 to December 31, 2021. This may however, include certain information moderately beyond the period for the completeness of the Report.

• Reporting Principles

The Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") set forth in Appendix 27 to the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited and is reported in accordance with the principles of materiality, quantitative, balance and consistency.

The Report has identified key stakeholders and their ESG concerns in the preparation hereof, and accordingly disclosed the same based on the relative importance of their concerns. For details of the materiality assessment work, please refer to the sub-sections headed "Communication with Stakeholders" and "Material ESG Issues Assessment" below.

The Report uses quantitative data to present key performance indicators in environmental and social areas, and explains the quantitative standards, computation, measurement and applicable conversion factors used herein. This is the first ESG Report issued by Lepu Biopharma Co., Ltd. and we will adjust and optimize the reports to be disclosed subsequently on a continuous basis and keep the consistency of the reports to be disclosed subsequently.

• Information Source

The information and cases set out in the Report are mainly derived from public information, statistical reports, relevant documents and internal communication documents of the Company.

II. ESG MANAGEMENT

The Company is committed to establishing an ESG management system of high standard, continuously optimizing ESG strategies and improving the ESG governance structure, implementing ESG concepts into corporate governance and corporate development, and gradually improving its ESG management.

1. ESG Strategy

The Company incorporated the ESG management concept into its daily operation and management process, actively paid attention to the demands from stakeholders, and strived to fulfill its environmental responsibilities and create social value while safeguarding the interests of the shareholders and investors.

The Company actively reduced the negative impact of business operations on the environment, responded to the risks induced by climate change, strengthened product R&D and innovation, continuously optimized product quality, established and improved the supplier management system, supported the healthy development of its employees, and protected the legitimate rights and interests of its employees. The Company also actively undertook its social responsibilities, paid attention to community empowerment, abided by the principles of integrity and honesty, and continued to promote the mutual development of the Company and all stakeholders.

2. ESG Governance Structure

Board Statement

The Board of Lepu Biopharma is responsible for ESG strategy and reporting, and for overseeing the Group's ESG matters. With the assistance of the Audit Committee, the Board decided and reviewed ESG matters, responsible for making decisions on ESG-related strategic planning and reviewing ESG performance. In order to better implement the ESG strategy, we have established an ESG organizational structure covering various subsidiaries and departments. ESG-related function departments and subsidiaries are responsible for ESG management and performing ESG work.

Lepu Biopharma regularly assesses the materiality of ESG issues. The specific evaluation process and results are detailed in the sub-sections headed "Communication with Stakeholders" and "Material ESG Issues Assessment" in the ESG Report and are reviewed by the Board. With the assistance of the Audit Committee, the Board comprehensively identified key ESG risks related to the Group, including information system risk management, patient data management, quality control risk management, anti-bribery and anti-kickback, human resources risk management, etc., and developed relevant solutions. Relevant departments are also required to implement relevant solutions in the operations and management.

During this reporting year, we have set environmental goals related to our business operations, namely the goal of reducing emissions and use of resouces during our daily operations. The Board reviewed and discussed the goal setting.

The Report also discloses the above-mentioned ESG related matters in detail, which have been reviewed and approved by the Board on April 25, 2022.

3. Communication with Stakeholders

The Company actively communicated with its stakeholders. By fully communicating with our stakeholders through various channels, we listened to and actively responded to their demand and used their material ESG concerns as important references for the Company's ESG management, reporting and disclosure.

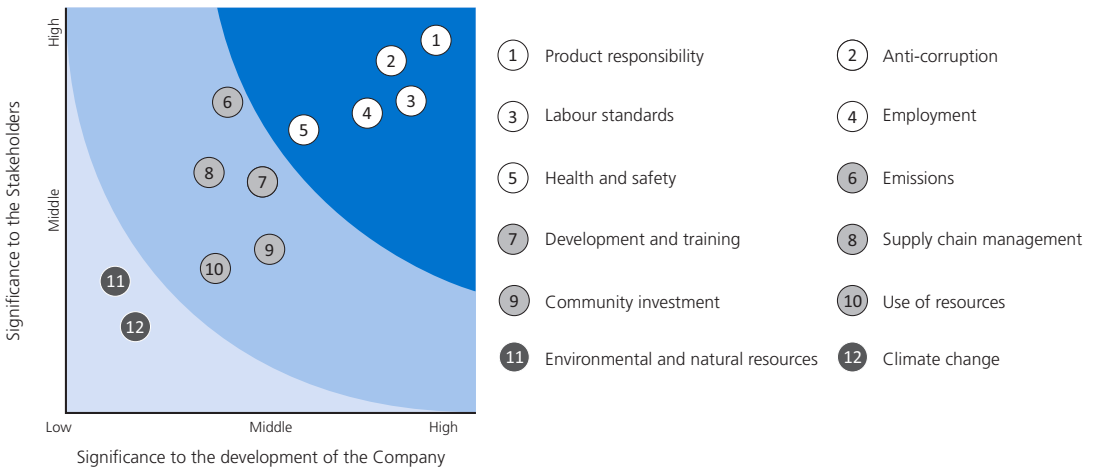
In this reporting year, with reference to the ESG Reporting Guide, based on the characteristics of our business and operations and the opinions and advice from our stakeholders, we established various communication channels and identified our key stakeholders and learned about their material ESG concerns as follows:

Key Stakeholders	Material ESG Issues	Main Communication Channels
Governments and regulatory authorities	Employment Supply chain management Product responsibility Anti-corruption Community investment	Policy consultations Incident reporting Information disclosures
Shareholders and investors	Employment Product responsibility Anti-corruption	Shareholders' meetings Results announcements Interim and annual reports Announcements of significant events Online and offline communication Company website
Employees	Employment Health and safety Development and training Labour standards	Employee performance appraisal and feedback Employee internal meetings Corporate internal announcements and emails Employee activities
Patients	Product responsibility Anti-corruption	Information disclosures Daily business communication
Suppliers	Supply chain management Anti-corruption	Tender invitation for and assessment of suppliers Regular meetings with suppliers Onsite inspection on suppliers
Media and non-governmental organizations	Emissions Use of resouces Environmental and natural resources Employment Supply chain management Product responsibility	Press conferences News interviews Official WeChat account Social media Industry seminars
Communities	Community investment	Community engagement and communication Identification of community demands

4. Material ESG Issues Assessment

During the assessment of material ESG issues, based on the requirements of the ESG Reporting Guide, combined with the concerns of both capital market and investors on the biopharmaceutical industry, and communicating with key external stakeholders through the above-mentioned communication channels, we identified 12 key issues related to Lepu Biopharma, which have been assessed and ranked. Details are described in the 2021 materiality matrix below.

Lepu Biopharma 2021 ESG Materiality Matrix



III. RESPONSIBLE OPERATION

Lepu Biopharma Co., Ltd. is committed to becoming an innovation-driven biopharmaceutical company with a strong foundation in China and global vision. We have developed a strong oncology-focused pipeline of drug candidates, including antibody drug conjugate (ADC), immunotherapies and oncolytic virus drugs at clinical and preclinical stages. We plan to commercialize our pipeline products in China through establishing dedicated sales and marketing forces, and promote our products in overseas markets, such as the U.S. and Europe, via forming partnerships with overseas enterprises.

Lepu Biopharma firmly believes that product responsibility is the cornerstone of the stable development of an enterprise. We carry out responsible operations from various aspects, such as continuing to carry out R&D and innovation, focusing on product quality, standardizing supplier management, ensuring information and privacy security, implementing integrity operation, and fulfilling social responsibilities.

1. Continuing to Carry out R&D and Innovation

Lepu Biopharma is committed to building an innovation-driven biopharmaceutical platform company with a strong foundation in China and global vision. Adhering to the corporate mission of "Becoming a leading platform-based innovative enterprise that can meet the medical needs of cancer patients with innovative drugs", we keep abreast of the technologies and trends in the development of innovative biopharmaceuticals globally.

1.1 Adhering to the Principles of R&D

Lepu Biopharma takes differentiated biological drug R&D as an important direction, and pays attention to the unmet clinical needs at this stage. At the pre-clinical stage, we perform the commit to target, candidate selection and drug IND application according to the *Research and Development Management System*. We strictly abide by the *Drug Administration Law of the People's Republic of China,* the *Administrative Measures for Drug Registration,* the *Guidelines on the Acceptance and Review for Registration of Biological Products,* the *Guidelines for Pharmaceutical Research and Change in Technology of Biological Products during Clinical Trials,* the *Good Laboratory Practice for Non-Clinical Laboratory Studies* (the *"GLP")* and *the Good Clinical Practice for Drugs* (the *"GCP")* and the *Administrative Measures for Research* and *Application for Registration of Medicines (Trial)* and other relevant laws and regulations and related requirements, as well as carry out new drug development activities in principle under the guidance by the International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use (ICH).

1.2 Building a R&D Platform

Our R&D system is supported by three core technology platforms, namely a clinically-validated ADC technology platform with advanced conjugation and CMC (Chemical Manufacturing and Control) technologies, an antibody discovery platform with multispecific antibody construction and discovery capabilities and antibody library, and an advanced process and analytical development platform.

ADC Technology Platform. ADC technology platform of Lepu Biopharma enables the Company to design and develop ADC candidates with strong safety and efficacy profile.

Lepu Biopharma has a fully integrated ADC technology platform covering the whole process of research, development and process validation of ADCs. The key functions of ADC technology platform include:

(i) process development for antibody, linker and payload;

(ii) advanced conjugation technologies;

(iii) optimization technologies that realize precise control of DAR;

(iv) quality analysis and evaluation for antibody, linker and payload; and

(v) manufacturing and quality control of ADC DS and DP in compliance with the GMP (Good Manufacturing Practice) standards.

Leveraging ADC technology platform of Lepu Biopharma, the Company has developed four clinical-stage ADC drug candidates, and one drug candidate jointly with a third party. Lepu Biopharma's leading ADC products, MRG003 and MRG002 have demonstrated favourable efficacy and safety profiles in clinical studies.

Case: Lepu Biopharma's leading ADC product MRG003

MRG003 is currently the most advanced EGFR-targeted ADC in clinical-stage development in China. MRG003 was recognized as one of the National Scientific and Technological Major Projects for "Major Drug Innovation" in China in 2019. We have completed the patient enrollment for the Phase IIa clinical trials of MRG003 in HNSCC and NPC, and the study of MRG003 for the treatment of NSCLC and BTC is in the exploratory Phase II stage.

Antibody Discovery Platform. The Company has constructed a full human naive antibody library of 10^{11} scale. Leveraging phage display technology, in vitro screening system on the platform reduces the reliance on animal immune systems to produce antibodies. The screening technology thereon allows us to significantly shorten the development period of innovative drug candidates to four to six weeks, compared to the traditional hybridoma technology which generally takes four to six months. The Company has also constructed a trispecific antibody T cell engager platform by utilizing protein binding domains, such as nanobodies and scFv, to augment T cells' response to solid tumors.

Under our own R&D management system and relevant rules, our new drug research system is developing innovative products with differentiated designs for unmet clinical needs based on our own core technology platform and external R&D platform (CRO R&D platform and imported technology platform), and guided by clinical value. In the early stage of development, our R&D team already has multiple products with first-in-class and best-in-class molecular potential approaching the drug candidate identification stage.

Analytical Development Platform. The development and production of antibodies is faced with various challenges in terms of process analysis, production volume, purity, etc. Our process and analytical development platform for antibodies and ADCs supports mass production in a most cost-effective manner.

The main functions of Lepu Biopharma's analytical development platform include:

(i) the construction of GMP-compliant cell banks;

(ii) the separation and purification process which improves product purity; and

(iii) the analytical methods and detection technology for the biopharmaceutical characteristics of antibodies.

Leveraging process of its analytical development platform, Lepu Biopharma has optimized the manufacturing process of core products targeting PD-1 and PD-L1, which have demonstrated promising safety and efficacy profiles in clinical studies.

Case: The core product HX008 was granted priority review designation

HX008 is a humanized antagonist monoclonal antibody against human PD-1, specifically recognizes a glycosylated epitope on PD-1 and employs an innovative molecular design that can extend the protein half-life of HX008. Compared with similar PD-1 antibodies that were marketed or had entered phase III clinical trials, HX008 can lower the treatment frequency, increase patient compliance and improve patient convenience and accessibility. The extension of the half-life of HX008 demonstrated favorable efficacy results without compromising the safety profile. We design and conduct clinical trials to expand the clinical application of HX008. MSI-H/dMMR solid tumors are among the indications included under the registration trials for HX008 in China and have obtained priority review designation.

1.3 Consolidating the R&D Team

Lepu Biopharma focuses on the construction of scientific research team, introduces global talents, and builds a R&D team with extensive experience in innovative drug R&D, clinical development and commercialization. The Company's core technology management team is composed of senior experts in the biopharmaceutical industry, responsible for formulating strategic goals for the Company's global innovation, leading the Company to upgrade the R&D organizational structure, clarifying global innovation goals and recruiting global R&D talents.

We are led by a team of seasoned industry executives with experience in leading pharmaceutical companies in China and globally. The R&D team is captained by our Co-CEO, Dr. Hu Chaohong, Dr. Fang Lei and Dr. Li Hu; the medical and clinical operations teams are led by our CEO, Dr. Sui Ziye and Dr. Tan Qian; our manufacturing and CMC development team is led by our Co-CEO, Dr. Hu Chaohong and Dr. Qin Minmin. In addition, our commercialization team is led by the Chairman, Dr. Pu Zhongjie and our CEO, Dr. Sui Ziye; and our operations and strategy execution is directed by Dr. Sui Ziye.

During the Reporting Period, the R&D team has a total of 208 members, of which 89 members have master's degrees and 31 members have doctoral degrees, accounting for more than half of the R&D team.

1.4 Protecting Intellectual Property

We are fully aware that intellectual property is crucial to the business development of Lepu Biopharma. The Company strictly abides by the *Patent Law of the People's Republic of China*, the *Trademark Law of the People's Republic of China* and other laws and regulations, and has formulated system documents and administrative measures such as the *Intellectual Property System of Lepu Biopharma*. The Company has set up an intellectual property department, which is responsible for specific work related to intellectual property application, acquisition and use. On the basis of fully respecting the intellectual property rights of others, we actively protect and safeguard our own intellectual property rights.

We regularly retrieve intellectual property information and carry out relevant analysis to proactively identify the main risk points of intellectual property management, so as to ensure that the Company protects its legitimate rights and interests in a timely and accurate manner. In the background investigation stage of new employee hiring, we will learn about the candidate's own intellectual property rights, and identify the non-compete agreement signed by the candidate with other companies to prevent us from directly or indirectly infringing on the intellectual property rights.

During the Reporting Period, Lepu Biopharma had 11 issued patents in China, 20 in the U.S., 7 in Japan, 7 in the European Union and 1 in each of South Korea, Australia, Chile, India, Colombia, Indonesia and New Zealand, and a number of China and global patent applications pending approval. In addition, Lepu Biopharma had 28 registered trademarks, 20 software copyrights and 22 domain names.

2. Emphasizing Product Quality

As a company focusing on the R&D of new drugs, product responsibility is one of the material issues of concern in the corporate development of Lepu Biopharma. Since its inception, the Company has been upholding the R&D philosophy and mission of "improving the life quality of patients around the globe through pharmaceutical innovation" to ensure product quality, enhance the management of clinical trials, and satisfy the medical needs of cancer patients.

2.1 Enhancing Quality Management

Lepu Biopharma strictly abides by applicable laws and regulations including the *Drug 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 (2017),* the *Good Manufacturing Practice for Drugs (2010 Revision)* and the *Guidelines for International Multi-center Clinical Trials*. The Company has formulated and developed relevant standard operating procedures (SOPs), including the *Clinical Trial Project Management,* the *Preparation of Clinical Trial Protocols,* the *Management of Investigational Drugs* and the *Safety Reporting*. The drug quality and safety are closely monitored and controlled in the processes covering, among others, preliminary R&D planning, project optimization and clinical trial safety. We have adopted a set of internal procedures and protocols, including the SOPs for production process quality control, product release and stability testing and storage and transportation to regulate

and standardize the production quality control. All our existing and new facilities have been designed in accordance with the international GMP standards and we have also developed standard processes to ensure that the final products meet the process requirements for registration.

Our quality assurance and quality control team coordinates with our manufacturing team to monitor and manage the quality of our products during the manufacturing process. Our manufacturing team develops production plans for clinical drugs based on our clinical development plans and purchases raw materials and issues production guidelines for the production line according to the production plans. We implement acceptance and release procedures for raw materials, intermediate products, stock solutions and finished products used in the manufacturing process in strict compliance with the GMP requirements. Our quality control and quality assurance team is responsible for inspecting the quality of raw materials, intermediate products, stock solutions and finished products and deciding whether to release the abovementioned samples.

In addition, our quality management department is responsible for carrying out unscheduled inspection and review on all experimental records and carrying out random inspection and providing feedback on the implementation of the effective SOPs, the record filling and the improvement of the quality system of each department. We also regularly monitor and supervise the quality of our partners including material suppliers, CROs and CDMOs.

2.2 Regulating Trademark Management

During the Reporting Period, the Company's products have not yet entered the commercialization stage, and we have not promoted our products to the public. However, the Company has actively identified the relevant requirements in relation to marketing in laws and regulations such as the *Advertisement 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 regulated its marketing activities to prepare for the commercialization of its products in advance to avoid any false advertising and marketing contents and product descriptions that may mislead consumers in the future.

3. Standardizing Supplier Management

The Company has formulated the *Procurement Control and Management Protocol* and the *Technical Service Supplier Management System* to regulate procurement behaviours and procedures, sourcing and development and initial access assessment of front-end suppliers and annual procurement data aggregation, so as to enhance the review and assessment of suppliers and supervision of daily contract management.

Before suppliers are included in the Company's list of suppliers, the procurement department of the Company, together with the quality management department and the department demanding relevant goods or services, will form an evaluation team to conduct a preliminary review of the qualification documents of the suppliers, conduct on-site audit on the selection of suppliers of key material, and include the selected suppliers into the supplier database on the basis of the evaluation results.

The Company continuously improves the database of qualified suppliers and updates the information of qualified suppliers in a timely manner in accordance with the changes in market condition and demand. Based on the needs of the department which has submitted procurement application, we carry out on-site audit and periodic review on suppliers. We would incentivize or push suppliers based on the evaluation results of suppliers. For suppliers with unsatisfactory evaluation results, we would ask them to carry out timely rectification and unqualified suppliers would be removed, thus continuously optimizing the performance of suppliers in our list of suppliers and establishing long-term stable cooperation with the suppliers and realizing a win-win situation. During the Reporting Period, the supplier assessment covered all procurement projects and suppliers of the Company.

During the Reporting Period, our suppliers mainly included reputable CROs, SMOs, CDMOs and hospitals in the PRC which cooperated with us on pre-clinical and clinical studies in the PRC and overseas. Some of the suppliers have qualifications such as ISO9001, ISO13485 and CE marking. In 2021, Lepu Biopharma had a total of 972 suppliers, of which 930 suppliers were located in the PRC and 42 suppliers were located outside the PRC (including Hong Kong, Macau and Taiwan).

The 2021 suppliers number by geographical location

Location of suppliers	Number of suppliers
In and outside the PRC	972
In the PRC	930
Outside the PRC (including Hong Kong, Macau and Taiwan)	42

4. Information Security and Privacy Protection

We attach great importance to information security and protection of patients' privacy during the process of R&D of new drugs and have adopted a reliable electronic data capture (EDC) system and perfected the management system and process control to protect the legal rights and interests and privacy of the subjects, in strict compliance with the *Good Clinical Practice for Drugs (GCP)* and with reference to international standards such as *the ICH Good Clinical Practice (ICH GCP)*.

We have also adopted a series of measures to enhance the protection of the privacy of patients:

(i) we have entered into confidentiality agreements with all employees as well as our suppliers and partners having access to confidential information, under which all the employees, officers, related companies and external technical consultants of the Company are required to fulfil confidentiality obligations;

(ii) all our drug clinical trials are reviewed by medical ethics committees and are conducted in cooperation with collaborating clinical trial sites (hospitals), sample monitoring units and contract research organizations (CROs), etc. We do not have direct access to any subject's private information other than the data necessary for the study. We also desensitize medical data and use code names for patient identity management to protect personal privacy when processing data necessary for clinical research; and

(iii) we have required our partners to protect the privacy of the subjects and closely monitor and manage the clinical trial process in accordance with the relevant requirements of the *Good Clinical Practice for Drugs (GCP)* when conducting clinical trials.

5. Promoting Honest Operation

We strictly abide by business ethics and relevant laws and regulations including the *Company Law of the People's Republic of China,* the *Anti-Money Laundering Law of the People's Republic of China* and the *Law of the People's Republic of China against Unfair Competition*, having zero tolerance for corruption or bribery, extortion, fraud and money laundering.

We require all staff to strictly comply with the ethical standards of honesty and integrity and set forth such requirements explicitly in the Staff Manual. We encourage entities and individuals to report actual or suspected violations of ethical standards or employee professional ethics, etc. through whistle-blowing hotline, e-mail or correspondence. During the Reporting Period, the anti-corruption training data were included in the employee training statistics, and we will separately collect and disclose anti-corruption training data in the future.

In 2021, the Company was not aware of any cases in relation to corruption or bribery which were raised against Lepu Biopharma or its staff and had been concluded, or any significant events where any staff have violated relevant laws, regulations or rules.

6. Fulfilling Social Responsibilities

Lepu Biopharma emphasizes the establishment of a stable and effective community communication mechanism to serve and give back to society and fulfil corporate social responsibilities while focusing on its own growth.

We believe that organizing and participating in community investment activities will enable us to obtain an in-depth understanding of and identify community needs and maintain communication and interaction with the community, and we would also consider the impact of our business activities on the community so as to contribute to the building of a harmonious community. In 2021, due to the impact of the COVID-19 pandemic, the Company has not carried out specific community investment activities. With the normalization of pandemic prevention and control and the rapid expansion of the Company's scale, we will carefully study the major needs of the communities in which the Company operates and take into account our business and technical advantages to carry out relevant and influential community investment activities to fulfil our social responsibilities and commitments.

IV. VALUING TALENTS

For Lepu Biopharma, employees are the most valuable assets. We are committed to providing employees with a corporate platform to realize their value in the new century. In strict compliance with laws and regulations such as the *Labor Law of the People's Republic of China,* the *Labor 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 Labor Protection of Female Workers*, we are devoted to conducting equal and fair recruitment, reserving diversified talents, providing sound staff benefits, establishing transparent and efficient mechanisms on staff performance and communication, safeguarding their health and safety and achieving common development of employees and the Company.

1. Equal Employment and Labor Rights

We have formulated a series of staff management systems to standardize the management of recruitment and dismissal, remuneration, benefits and promotion as well as working hours and holidays. We firmly prohibit child labor and forced labor. We carry out recruitment based on the principles of openness, fair competition and merit-based recruitment and provide employees with equal opportunities. We do not treat any candidates differently based on their ethnic groups, race, age, gender, marital status and religious beliefs.

1.1 Guaranteed Remuneration and Benefits

We have established a competitive remuneration system and a fair, open and reasonable career promotion path. We stipulate the composition of staff remuneration, including basic salary, performance-based salary, year-end bonus and project-based bonus. In addition, we offer a variety of benefits to employees, including five social insurances and one housing fund, annual physical check-ups, commercial insurance, commuting allowances, holiday allowances, birthday benefits and holiday gifts.

We strive to build an equal, diversified and international team. During the Reporting Period, Lepu Biopharma had a total of 440 employees, of which female employees accounted for 58%. In addition to Chinese employees, we also have overseas employees, accounting for approximately 2%. Among the senior management, female senior executives accounted for 62.5%. For the employees of different nationalities, races, ethnic groups, genders, religious beliefs and cultural backgrounds, we adhere to the principles of the Company and treat them fairly and equally in terms of employment, remuneration and benefits, promotion, dismissal and retirement.

Number and proportion of employees in 2021

Category of employees		Number of employees	Proportion of employees
Overall		440	100%
By gender	Male employees	186	42%
	Female employees	254	58%
By age	Employees aged below 30	155	35%
	Employees aged 31 to 50	272	62%
	Employees aged above 51	13	3%
By rank	Senior management	8	2%
	Middle management	83	19%
	Ordinary employees	349	79%
By employment category	Full-time employees	436	99%
	Interns	4	1%

Turnover rate of employees in 2021

Category of employees		Turnover rate of employees
Overall		22%
By gender	Male employees	24%
	Female employees	20%
By age	Employees aged below 30	30%
	Employees aged 31 to 50	17%
	Employees aged above 51	23%
By region	Employees in Mainland China	22%
	Employees in Hong Kong, Macau and Taiwan and overseas	43%

1.2 Working Hours and Rest Periods

We implement the standard working hour system and have established an attendance system to standardize the working hours of employees. We encourage employees to work efficiently during normal working hours and use the rest periods for rest or recreation and enjoy family life. In addition to statutory holidays such as the Spring Festival, the Labor Day or the National Day, we also provide paid annual leaves based on employees' work experience and the length of service with the Company. Moreover, we provide paid maternity leave and other related leave benefits for female employees, while male employees are entitled to paid paternity leave as well.

1.3 Communication with Employees and Activities

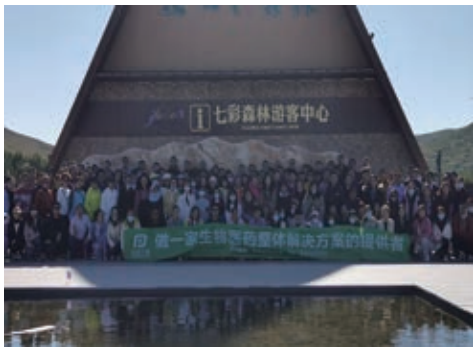
We attach great importance to equal communication with employees and understand their concerns and needs in a timely manner. We have established internal communication and complaint channels for employees, including regular cross-departmental meetings, HR hotlines, the Office Automation System (OA System), face-to-face communication as well as other online and offline channels to encourage and support employees to understand the development of all departments, their career development direction, key goals and other information.

We actively advocate balance between work and life and encourage employees to participate in various activities to enhance their cohesion. During the Reporting Period, we organized a variety of team-building activities for our employees, including the annual party, monthly birthday parties and team outings.

Monthly birthday parties

Basketball match

Football match

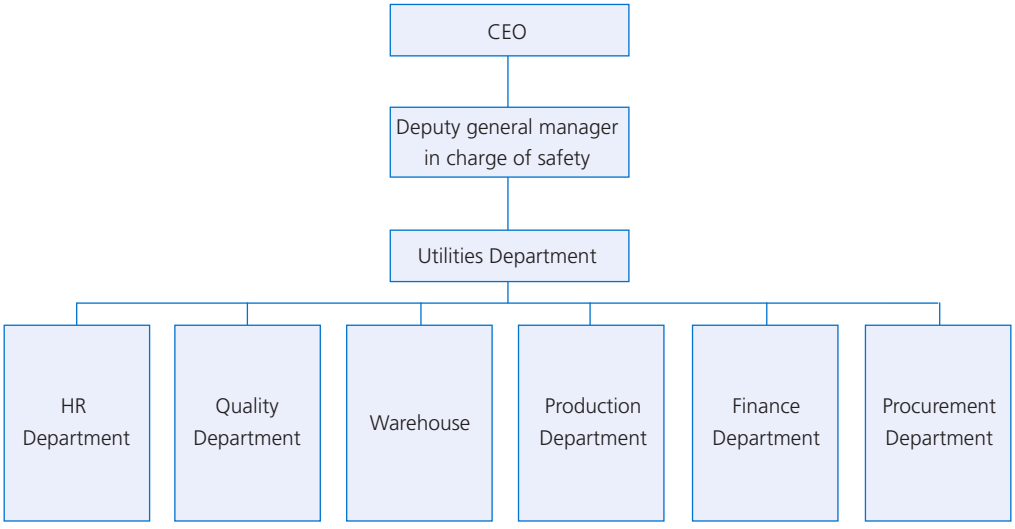


Annual team building activities

2. Occupational Health and Safety

The Company is committed to providing employees with healthy and safe working environment. In strict compliance with relevant laws and regulations and industry standards including the *Law on Work Safety 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 *Regulations on Safety Management of Hazardous Chemicals,* the *Technical Specifications for Occupational Health Surveillance* and the *Regulation on Work-Related Injury Insurance*, we have formulated management system and standards, including the *Standardized Management Manual on Production Safety,* the *System on Safety Management of Hazardous Chemicals,* the *Special Emergency Response Plan on Chemical Accidents,* the *Management System on Fire Safety,* the *Management System on the Prevention and Control of Occupational Hazards* and the *Management System on Hazardous Operation*.

We have built an environment, health and safety (EHS) management team to determine the EHS policy, the long-term plan and annual objectives of the Company, clarify the focuses of the annual EHS work, formulate the EHS risk assessment reports and emergency response plans, organize investigations on EHS incidents and follow the progress of rectifications, and take all applicable measures to reduce EHS-related risks and impacts.



EHS management team of Lepu Biopharma

During the Reporting Period, we identified and controlled occupational hazards and factors in the workplace and strengthened the management of facilities on occupational health. To better enhance employees' awareness on occupational health and help them to effectively master relevant skills on safe operation, we require all employees operating special equipment to obtain necessary certifications. Meanwhile, we provide pre-employment, in-service and pre-departure occupational health examinations to employees exposed to high occupational health risk positions. We also provide these employees with comprehensive personal protective equipment to protect them from occupational diseases. Once occupational health problems with relevant employees are noticed, we will adjust their positions and take remedial measures.

In addition, in order to safeguard the health and safety of employees during the COVID-19 pandemic, we strictly implement national and local regulations and requirements for the prevention of the pandemic and comprehensively protect the health and safety of employees, including monitoring the body temperature of employees while entering and exiting the Company, requiring employees to report physical conditions on a daily basis, allocating sufficient quantity of anti-pandemic supplies for employees, reducing offline meetings and sterilizing the workplace promptly.

During the Reporting Period, 26 working days were lost due to work-related injuries, and the rate and number of work-related fatalities in the past three years were both zero.

3. Employee Growth and Development

3.1 Identifying Promotion Paths

We have established a fair, reasonable and transparent mechanism on performance evaluation, carried out periodic performance assessment and evaluation on employees, and set up open and transparent promotion paths for employees to strengthen the building of talent teams, promote the identification, selection, appointment and development of talents and achieve common development of employees and the Company. The promotion qualification of employees is jointly reviewed and approved by the responsible persons of relevant departments and the HR department.

During the Reporting Period, we conducted regular assessments on the performance and career development of all employees and allowed employees to better understand their annual work and the orientation for their future development. We guided and motivated employees to contribute to organizational targets through setting performance targets, in-process tutoring and communication from the perspective of evaluation of performance and core values, and objectively and impartially evaluated employees' performance and contributions. Meanwhile, the Company has established a communication processing mechanism for fairness guarantee and assessment objection and established a two-way communication platform between supervisors and employees to ensure fairness and to convey any employee objections to their performance review. If an employee has an objection, he/she can appeal to his/her superior or the human resources department through hotline.

3.2 Strengthening Staff Trainings

We have always been committed to realizing comprehensive talent cultivation, building a learning-oriented organization, enhancing the core competitiveness of the Company and achieving the common development and growth of employees and the Company. We continuously improved the comprehensive quality of employees by providing them with a variety of internal and external training courses and opportunities.

Training hours of employees in 2021

Category of employees		Training time (hours)	Average training time (hours)
Overall		18,534	42.1
By gender	Male employees	8,174	43.9
	Female employees	10,360	40.7
By rank	Senior management	217	27.1
	Middle management	2,816	33.9
	Ordinary employees	15,501	44.4

Number and proportion of employees trained in 2021

Category of employees		Number of employees trained (persons)	Proportion of employees trained (%)
Overall		387	88%
By gender	Male employees	165	89%
	Female employees	222	87%
By rank	Senior management	3	38%
	Middle management	85	100%
	Ordinary employees	299	86%

Case: Appointing external professional teams to provide "trainings on empowering-oriented leaders" for middle management

In 2021, Lepu Biopharma appointed an external professional team to carry out four-day trainings on empowering-oriented leaders for middle management members of the Company. The trainings were designed to help middle-level employees better understand how to play the role as department heads, and lead employees of their departments in effectively executing and implementing work plans of the department and accomplishing work objectives of the department. Through organizing group discussions, case sharing and sand table simulation, these trainings assisted employees trained in putting the theory of empowering-oriented leadership into practice, enabled the business management members to have a deeper knowledge and understanding of staff growth and development, and thus effectively promoted inter-departmental cooperation.

The training on empowering-oriented leaders of Lepu Biopharma

V. GREEN OPERATION

The Company has always been committed to achieving green operations and incorporating the concept of environmental protection in our daily operations. In strict compliance 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 by Solid Waste,* the *Law of the People's Republic of China on the Prevention and Control of Water Pollution,* the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*, we formulated the *Enterprise Environmental Management Systems* and other management standards. We use resources reasonably, actively promote energy conservation and emission reduction, optimize the management of emissions and strive to minimize the impacts of our operations on the environment.

We have established an EHS management team to execute and implement the management of the Company's sewage discharge, environmental monitoring and pollution treatment facilities, organize trainings on environmental protection, identify environmental risks and formulate plans on environmental emergencies. We adhere to the clean production and carry out environmental protection, implement pollution control throughout the production process and ensure the Company achieves green operation.

We attach great importance to climate change, actively use clean energy to reduce GHG emissions from operations, identify possible impacts of climate change on the specific business activities of the Company and actively respond to the national targets of "carbon peaking and carbon neutrality".

Setting of environmental targets

Target on energy conservation and emission reduction	• Rooftop photovoltaic power generation equipment will be adopted in Lepu Biopharma's new projects in Shanghai to use clean energy and reduce power consumption; • In 2022, Lepu Biopharma's plants in Beijing and new projects in Shanghai will continue to purchase computers and equipment with "China Energy Conservation Product Certification"; • From the fiscal year of 2022 and on the premise of meeting GMP requirements, the temperature and humidity of the production workshops of Lepu Biopharma's projects under construction in Shanghai will be controlled at a level with relatively minimum energy consumption to reduce energy consumption. The temperature for cleaning areas in spring and summer is 20~24℃ and the humidity is 45~65%; and the temperature in autumn and winter is 18~22℃ and the humidity is 40~60%. The temperature for non-cleaning areas in spring and summer is 18~26℃ and the humidity is 30~75%; and the temperature in autumn and winter is 18~26℃ and the humidity is 30~75%.
Target on water conservation	• From the fiscal year of 2022, Lepu Biopharma's new projects in Shanghai will adopt a purified water system to prepare pure water with RO+EDI processes to reduce water consumption; • From the fiscal year of 2022, Lepu Biopharma's plants in Beijing and projects under construction in Shanghai will replace bottled water with direct drinking water.
Target on waste reduction	• From the fiscal year of 2022, Lepu Biopharma will achieve the recycling of 100% waste at its operation sites in Beijing and Shanghai.

1. Reducing Use of Resouces

The use of resouces in the Company's daily operations mainly includes electricity, water and office paper. With the continuous expansion of the business scale of the Company, we will continue to pay close attention and make careful consideration to environmental and resource issues, continuously optimize the use of resources and improve resource use efficiency to reduce the consumption of electricity, water and office paper in our operations.

1.1 Experiment and production

We have implemented various measures to save energy consumption in our laboratories and production workshops. We have adopted or installed:

(i) frequency conversion control to reduce the energy consumption of clean air-conditioning fans, bioreactors, centrifuges, filling lines and other production equipment;

(ii) multi-effect water distillators to improve the heat utilization;

(iii) active power filters to effectively reduce harmonic current, increase the effective capacity of the transformer, improve the safe operation coefficient of the transformer to achieve energy saving and efficiency improvement;

(iv) reactive power compensation technology to reduce the losses of power and electricity in the grid system.

Frequency conversion control system

Multi-effect water distillator

Active power filter

Reactive power compensation technology in the grid system

We also adopted inflatable faucets in the bathrooms of all plants. The flushing system adopted infrared induction flush valves to reduce water consumption in laboratories and production workshops.

Moreover, we have achieved "dual control over temperature and humidity" in the cleaning area in our Beijing plant. We adjust and manage the corresponding temperature and humidity according to the outside temperature. In summer and winter, we set the temperature and humidity of cleaning air-conditioners at 24°C and 21°C, 60% and 50%, respectively, to effectively reduce unnecessary energy consumption in temperature and humidity control.

1.2 Daily Office Operation

We actively implemented various energy-saving measures in daily office operation, conducted routine tour inspections on the use of lamps in office areas, and replaced high energy-consuming lamps with LED energy-saving lamps. We also advocate employees to turn off lights and other electric equipment, including air-conditioners, fresh air ventilators and exhaust systems when leaving office to effectively reduce power consumption.

In addition, we encourage employees to reduce the use of office supplies and reasonably control the collection and use of office paper. We also encourage employees to embrace paperless working styles, including teleconference and online work, to achieve cross-regional communication, so as to reduce the consumption of office paper.

2. Pollutant Discharges Reduction

The Company's major air emissions are greenhouse gas (GHG) emissions arising from electricity consumption and experimental tail gases from experiment-related procedures. Our wastewater produced mainly includes experimental waste liquid, production waste water and domestic sewage. The amount of experimental waste liquid is relatively small and non-toxic, and it is collected and processed by qualified third parties. Production wastewater is discharged into the municipal pipe network together with domestic sewage after being treated by the sewage station in the factory and meeting the discharge standards. In addition, the hazardous waste generated by the Company mainly includes waste chemical reagents, reagent packaging boxes and waste ink and toner cartridges. All hazardous waste is handled by qualified third parties or suppliers in compliance with relevant requirements. Non-hazardous waste generated by the Company mainly includes domestic wastes and waste office consumables.

2.1 Experiment and Production

During the Reporting Period, we adopted a variety of measures on emission reduction to effectively reduce pollutant discharges from laboratories and production workshops.

(i) We adopted exhaust treatment devices to filter experimental tail gases to ensure that their treatment and emissions are in compliance with relevant requirements.

(ii) We installed low-nitrogen burners for gas boilers and achieved emissions of nitrogen oxides, sulfur dioxide and soot of less than 30mg/m^3, 10mg/m^3 and 5mg/m^3, respectively, in exhaust gas emissions.

(iii) We adopted the design of harmless treatment of waste gas and the waste gas generated in the sewage treatment process is emitted into the atmosphere in the form of clean air after green treatment.

Treatment devices for experimental tail gases in Beijing plant

Low-nitrogen burners adopted for gas boilers in Beijing plant

Harmless treatment for waste gas from sewage treatment systems adopted in Beijing plant

2.2 Daily Office Operation

For non-hazardous waste generated in our daily operation of office including electronic waste and domestic waste, we classify and recycle those wastes to promote their recycling. Non-hazardous waste with recycling value will be handled by qualified suppliers or recyclers, and other non-hazardous waste will be handled by the property management company.

3. Environmental Key Performance Indicators

In 2021, the environmental key performance indicators of Lepu Biopharma are listed below. Unless otherwise stated, the scope of environmental statistics in the Report covers Lepu Biopharma Co., Ltd., CtM Bio Co., Ltd. (樂普創一生物科技(上海)有限公司), Lepu Hangjia (Shanghai) Venture Capital Co., Ltd. (樂普航嘉(上海)創業孵化器管理有限公司), Shanghai Miracogen Inc. (上海美雅珂生物技術有限責任公司) and Lepu (Beijing) Biopharma Co., Ltd. (樂普(北京)生物科技有限公司).

Key Performance Indicators for Energy and Use of Resouces

Indicator	Unit	Amount in 2021
Total energy consumption[1]	MWh	15,051.65
Direct energy consumption[2]	MWh	10,987.92
Natural gas	MWh	10,987.92
Indirect energy consumption[3]	MWh	4,063.73
Purchased electricity	MWh	4,063.73
Energy consumption per capita	MWh/person	34.21
Total water consumption[4]	Tons	48,957.36
Water consumption per capita	Tons/person	111.27

Key Performance Indicators for Emissions

Indicator	Unit	Amount in 2021
Total GHG emissions[5] (Scope 1 and Scope 2)[6]	Tons	5,580.30
Direct GHG emissions (Scope 1)	Tons	2,148.54
Natural gas	Tons	2,148.54
Indirect GHG emissions (Scope 2)	Tons	3,431.76
Purchased electricity	Tons	3,431.76
GHG emissions per capita (Scope 1 and Scope 2)	Tons/person	12.68
Exhaust emissions	m^3	34,185,290.34
Wastewater discharged	Tons	19,916.79
COD emissions	Tons	0.0117
Ammonia nitrogen emissions	Tons	0.0005

1 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);*

2 During the Reporting Period, our main operation was daily operation of office and laboratory operation, and the direct energy consumption mainly included natural gas;

3 During the Reporting Period, our main operation was daily operation of office and laboratory operation, and the indirect energy consumption mainly included electricity;

4 Since the water resources used by the Company are from municipal water supply, we do not have any problem in obtaining suitable water resources;

5 The GHG calculation covers carbon dioxide, methane and nitrous oxide. GHG emissions are presented in carbon dioxide equivalents and was calculated based on the *2011 and 2012 China Regional Grid Average Carbon Dioxide Emission Factor* issued by the Ministry of Ecology and Environment of the People's Republic of China;

6 GHG Scope 1 covers GHG emissions directly generated by businesses owned or controlled by the Company; Scope 2 covers "indirect energy" GHG emissions caused by the Company's internal consumption (purchased or acquired) of electricity. During the Reporting Period, the Company's total GHG emissions were "direct energy" GHG emissions caused by natural gas consumption and "indirect energy" GHG emissions caused by electricity.

Key Performance Indicators for Wastes

Indicator	Unit	Amount in 2021
Total hazardous waste	Tons	12.35
Waste lead-acid accumulators	Tons	0.04
Hazardous waste consumables[7]	Tons	0.31
Hazardous medical waste	Tons	12.00
Hazardous waste per capita	Tons/person	0.03
Total non-hazardous waste[8]	Tons	6.90
Domestic waste	Tons	6.77
Electronic waste	Tons	0.13
Non-hazardous waste per capita	Tons/person	0.02

7 Hazardous waste includes hazardous waste consumables and hazardous medical waste. Hazardous waste consumables include toner cartridges and toners purchased by the Company, which are calculated based on the data in the procurement breakdown provided by suppliers. Hazardous medical waste includes waste chemical reagents, experimental waste liquid, empty reagent bottles, laboratory waste, waste activated carbon, laboratory hazardous solid waste, glass and plastic packaging, which are calculated through medical waste treatment slips and ledger registration;

8 Non-hazardous waste includes domestic waste and electronic waste, of which domestic waste includes copy paper, bulbs, office desks and chairs, gas masks, goggles and fire extinguishers; electronic waste includes emergency lamp battery packs, glare flashlights, ultraviolet sterilization lamp tube and access control.

APPENDIX: ESG REPORTING GUIDE INDEX TABLE

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.	Page 66
Reporting Principles	A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG Report (materiality, quantitative and consistency).	Page 65
Reporting Boundary	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.	Page 65
"Comply or Explain" Provisions		
Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Page 82 - Page 88
KPI A1.1	The types of emissions and respective emissions data.	Page 87
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and, where appropriate, intensity.	Page 87
KPI A1.3	Total hazardous waste produced and, where appropriate, intensity.	Page 88
KPI A1.4	Total non-hazardous waste produced and, where appropriate, intensity.	Page 88
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Page 82 - Page 88
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.	Page 82 - Page 88

Indicators		Correspondent Chapters
Aspect A2: Use of Resources		
General Disclosure	Policies on efficient use of resources including energy, water, and other raw materials.	Page 82 - Page 88
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Page 87
KPI A2.2	Water consumption in total and intensity.	Page 87
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Page 82 - Page 88
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.	Page 82 - Page 88
KPI A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	The indicator is not applicable as Lepu Biopharma has not started commercialization
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	Page 82 - Page 88
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them.	Page 82 - Page 88
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Page 83
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.	Page 83
B. Social		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Page 76 - Page 78

Indicators		Correspondent Chapters
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Page 77
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Page 77
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Page 79 - Page 80
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Page 80
KPI B2.2	Lost days due to work injury.	Page 80
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Page 79 - Page 80
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Page 80 - Page 82
KPI B3.1	The percentage of employees trained by gender and employee category.	Page 81
KPI B3.2	The average training hours completed per employee by gender and employee category.	Page 81
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Page 76
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Page 76
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Page 76
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Page 73 - Page 74
KPI B5.1	Number of suppliers by geographical region.	Page 74

Indicators		Correspondent Chapters
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Page 73 - Page 74
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Page 73 - Page 74
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Page 73 - Page 74
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Page 72 - Page 73
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	The indicator is not applicable as Lepu Biopharma has not started commercialization
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	The indicator is not applicable as Lepu Biopharma has not started commercialization
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Page 72
KPI B6.4	Description of quality assurance process and recall procedures.	Page 72 - Page 73
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Page 74 - Page 75

Indicators		Correspondent Chapters
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud, and money laundering.	Page 75
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.	Page 75
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Page 75
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Page 75
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities takes into consideration communities' interests.	Page 75
KPI B8.1	Focus areas of contribution.	Page 75
KPI B8.2	Resources contributed to the focus area.	Page 75

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Lepu Biopharma Co., Ltd.
(incorporated in the People's Republic of China with limited liabilities)

OPINION

What we have audited

The consolidated financial statements of Lepu Biopharma Co., Ltd. (the "**Company**") and its subsidiaries (the "**Group**"), which are set out on pages 101 to 185, comprise:

- the consolidated balance sheet as at 31 December 2021;
- the consolidated statement of comprehensive loss for the year then ended;
- the consolidated statement of changes in 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.

KEY AUDIT MATTERS

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

Key audit matters identified in our audit are summarised as follows:

- Impairment assessment of goodwill
- Fair value measurement of financial liabilities at fair value through profit or loss – variable consideration payable for transaction with non-controlling interests
- Research and development expenses

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill Refer to Notes 2.8(a), 2.9, 4.2 and 16(b) to the consolidated financial statements for impairment assessment of goodwill. As at 31 December 2021, the Group's goodwill amounted to approximately RMB52,636,000 and management has performed an annual impairment assessment on the goodwill. To assess the impairment, the goodwill has been allocated to the relevant cash generating units ("**CGUs**") at the acquisition date and management has assessed the recoverable amounts of the CGUs by reference to valuation reports as issued by an independent valuer. The recoverable amounts of the CGUs were determined by management based on value in use ("**VIU**") calculated using the discounted cash flow model. Based on the results of the assessment, management has concluded that no impairment loss to be recognised as of 31 December 2021. We focused on this matter due to the significance of goodwill and given that significant judgement and estimates were involved in determining the key assumptions (in particular the first commercialisation year of the products of the CGUs, revenue growth rate, market penetration rate, success rate of commercialisation and discount rate applicable to the CGUs) for the impairment assessment.	In response to this key audit matter, we have performed the following procedures: • We obtained an understanding of management's internal control and assessment process of goodwill impairment and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; • We evaluated management's identification of CGUs and allocation of goodwill based on the Group's accounting policy and our understanding of the Group's business; • We evaluated management's control for preparing the budget and future cash flow forecast of relevant CGUs and reconciled the input data for the impairment assessment to supporting evidence, such as approved budgets; • We assessed the competence, capabilities and objectivity of the independent valuer; • We assessed the appropriateness of the valuation model with the assistance of our internal valuation expert;

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill (Continued)	
	• We assessed the reasonableness of the key assumptions as adopted by management in the discounted cash flow model for the impairment assessment by reference to internal operation information, external industry data and the cost of equity of comparable companies in the industry; • We tested the mathematical accuracy of the calculations of the discounted cash flow model and the recoverable amounts of the CGUs; • We evaluated the sensitivity analysis prepared by management around the key assumptions and estimates applicable to the CGUs to assess the potential impact of a range of possible outcomes; and • We assessed the adequacy of related disclosures in the consolidated financial statements. We found the key assumptions adopted by management in the impairment assessment of the goodwill are supportable based on the evidence obtained and procedures performed.

Key Audit Matter	How our audit addressed the Key Audit Matter

Fair value measurement of financial liabilities at fair value through profit or loss – variable consideration payable for transaction with non-controlling interests

Refer to Notes 2.30, 3.3(b)(i), 4.3, 9 and 31 to the consolidated financial statements.

As at 31 December 2021, the financial liability at fair value through profit or loss in relation to the variable consideration payable arisen from acquiring 40% share of interests of Taizhou Hanzhong Biotechnology Co., Ltd. ("**Taizhou Hanzhong**") from non-controlling interests in 2019, amounted to approximately RMB385,466,000. During the year ended 31 December 2021, the fair value loss of the variable consideration payable amounting to RMB76,285,000 was charged to "Fair value changes on financial assets and liabilities at fair value through profit or loss" in the consolidated statement of comprehensive loss.

Management has engaged an independent valuer to assist them for performing the fair value valuation of the variable consideration payable as at 31 December 2021. The fair value of the variable consideration payable was determined by using discounted cash flow method.

We focused on this matter due to the significance of balance as at 31 December 2021 and fair value loss for the year then ended, and given that significant management judgements and estimates were involved in determining fair values of the financial instruments, which included the first commercialisation year of the products, revenue growth rate, market penetration rate, success rate of commercialisation and discount rate.

In response to this key audit matter, we have performed the following procedures:

- We obtained an understanding of management's internal control and assessment process of fair value measurement of variable consideration payable and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors;
- We evaluated management's control for preparing the budget and future cash flow forecast of variable consideration payable and reconciled the input data for the fair value measurement to supporting evidence, such as approved budgets;
- We assessed the competence, capabilities and objectivity of the independent valuer;
- We assessed the appropriateness of the valuation model with the assistance of our internal valuation expert;
- We assessed the reasonableness of the key assumptions as adopted by management in the discounted cash flow model by reference to internal operation information, external industry data, risk-free rate and discount rate of comparable companies in the industry;
- We tested the mathematical accuracy of the calculations of the discounted cash flow model;
- We evaluated the sensitivity analysis prepared by management around the key assumptions and estimates applicable to relevant products to assess the potential impact of a range of possible liabilities; and
- We assessed the adequacy of related disclosures in the consolidated financial statements.

We found the key assumptions adopted by management in the fair value measurement of variable consideration payable are supportable based on the evidence obtained and procedures performed.

Key Audit Matter	How our audit addressed the Key Audit Matter
Research and development expenses Refer to Note 2.8(c) to the consolidated financial statements. For the year ended 31 December 2021, the Group incurred research and development ("**R&D**") expenses of approximately RMB791,210,000 which was charged to the consolidated statement of comprehensive loss. The R&D expenses mainly include clinical trial expenses, pre-clinical study costs, depreciation and amortisation, employee benefit expenses and raw material and consumables used in research and development activities. We focused on this matter due to the large volume of R&D transactions and its significance to the consolidated financial statements and thus significant audit effort involved.	In response to this key audit matter, we have performed the following procedures: • We understood and evaluated the key controls related to recording of R&D expenses; • We tested R&D expenses, on a sample basis, by examining the relevant supporting documents, such as contracts, invoices and payment slips; • We read the key terms set out in the contracts for R&D services, evaluated the completion status with reference to the progress reported by outsourced service providers and circularised confirmations for the service fees paid to outsourced service providers, on a sample basis, to determine whether the service fees were recorded based on the respective contract terms, work progress and/or relevant milestones achieved; • We performed cut-off test on R&D expenses paid before and after the balance sheet date, on a sample basis, by inspecting relevant supporting evidence such as contracts, payment vouchers and invoices. We found the R&D expenses recorded are supportable based on the evidence obtained and procedures performed.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in Lepu Biopharma Co., Ltd. 2021 Annual Report (the "**annual report**") other than the consolidated financial statements and our auditor's report thereon. We have obtained some of the other information including the corporate information, financial summary, management discuss and analysis and biographies of directors, supervisors and senior management prior to the date of this auditor's report. The remaining other information, including the report of the chairman's statement, corporate governance report, directors' report, supervisory committee, environmental, social and governance report and the other sections to be included in the annual report, is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the remaining other information to be included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee of the Company and take appropriate action considering our legal rights and obligations.

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 of the Company 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.

- 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 of the Company 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 of the Company 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 of the Company, 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, 29 March 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

Year ended 31 December 2021

	Note	Year ended 31 December 2021 RMB'000	2020 RMB'000
Other income	6	**10,572**	7,964
Other expenses	7	**(1,074)**	(1,915)
Administrative expenses	7	**(156,237)**	(93,757)
Research and development expenses	7	**(791,210)**	(354,427)
Fair value changes on financial assets and liabilities at fair value through profit or loss	9	**(76,285)**	(77,991)
Other gains/(losses), net	10	**4,598**	(225)
Operating loss		**(1,009,636)**	(520,351)
Finance income		**4,143**	5,306
Finance costs		**(5,681)**	(86,319)
Finance costs, net	11	**(1,538)**	(81,013)
Share of loss of investments accounted for using the equity method	17	**(17,695)**	(12,084)
Loss before income tax		**(1,028,869)**	(613,448)
Income tax expense	12	**–**	–
Loss for the year		**(1,028,869)**	(613,448)
Loss attributable to:			
Owners of the Company		**(1,010,996)**	(581,849)
Non-controlling interests		**(17,873)**	(31,599)
		(1,028,869)	(613,448)
Loss per share for loss attributable to owners of the Company for the year (expressed in RMB per share)			
– Basic	13	**(0.66)**	(0.51)
– Diluted	13	**(0.66)**	(0.51)
Other comprehensive income/(loss)			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		**27**	(39)
Total comprehensive loss		**(1,028,842)**	(613,487)
Total comprehensive loss attributable to:			
Owners of the Company		**(1,010,969)**	(581,888)
Non-controlling interests		**(17,873)**	(31,599)
		(1,028,842)	(613,487)

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

CONSOLIDATED BALANCE SHEET

As at 31 December 2021

	Note	As at 31 December 2021 RMB'000	2020 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	14	**836,713**	606,371
Right-of-use assets	15	**141,724**	163,666
Intangible assets	16	**475,090**	497,922
Investments accounted for using the equity method	17	**137,971**	160,294
Other receivables, prepayments and deposits	19	**176,431**	152,009
Total non-current assets		**1,767,929**	1,580,262
Current assets			
Inventories	18	**24,184**	19,569
Other receivables, prepayments and deposits	19	**84,780**	70,256
Financial assets at fair value through profit or loss	20	**–**	330,657
Cash and cash equivalents	21	**155,168**	402,867
Term deposits with initial terms of over three months	22	**50,000**	20,000
Total current assets		**314,132**	843,349
Total assets		**2,082,061**	2,423,611
Equity			
Equity attributable to owners of the Company			
Share capital	24	**1,531,670**	1,492,693
Reserves	26	**947,482**	612,260
Accumulated losses	26	**(1,642,438)**	(631,442)
		836,714	1,473,511
Non-controlling interests	38	**10,369**	28,211
Total equity		**847,083**	1,501,722

CONSOLIDATED BALANCE SHEET

As at 31 December 2021

	Note	As at 31 December 2021 RMB'000	2020 RMB'000
Liabilities			
Non-current liabilities			
Borrowings	28	**232,469**	147,266
Lease liabilities	15	**19,478**	33,534
Deferred government grants	29	**12,000**	12,000
Deferred tax liabilities	30	**37,687**	37,687
Financial liabilities at fair value through profit or loss	31	**384,287**	309,181
Total non-current liabilities		**685,921**	539,668
Current liabilities			
Borrowings	28	**60,409**	–
Trade payables	32	**158,818**	42,448
Other payables and accruals	33	**311,043**	321,307
Lease liabilities	15	**18,787**	18,466
Total current liabilities		**549,057**	382,221
Total liabilities		**1,234,978**	921,889
Total equity and liabilities		**2,082,061**	2,423,611

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

The financial statements on pages 101 to 185 were approved by the Board of Directors on 29 March 2022 and were signed on its behalf.

Executives Director: **Dr. Pu Zhongjie**

Executives Director: **Dr. Sui Ziye**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Note	Attributable to owners of the Company				Non-controlling interests RMB'000	Total RMB'000
		Share capital RMB'000	Treasury stock RMB'000	Reserves RMB'000	Accumulated losses RMB'000		
At 1 January 2021		1,492,693	–	612,260	(631,442)	28,211	1,501,722
Comprehensive loss							
Loss for the year		–	–	–	(1,010,996)	(17,873)	(1,028,869)
Other comprehensive income		–	–	27	–	–	27
Transaction with owners							
Issuance of shares to series C investors	24	38,977	–	221,720	–	–	260,697
Share-based payments	27	–	–	113,475	–	31	113,506
At 31 December 2021		1,531,670	–	947,482	(1,642,438)	10,369	847,083

		Attributable to owners of the Company						
	Note	Paid-in capital RMB'000	Share capital RMB'000	Treasury stock RMB'000	Reserves RMB'000	Accumulated losses RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2020		1,000,000	–	(347,454)	(462,631)	(542,415)	166,860	(185,640)
Comprehensive loss								
Loss for the year		–	–	–	–	(581,849)	(31,599)	(613,448)
Other comprehensive loss		–	–	–	(39)	–	–	(39)
Transaction with owners								
Capital contribution from Lepu Medical Technology (Beijing) Co., Ltd.	34	25,352	–	–	64,648	–	–	90,000
Capital contribution from non-controlling interests	38	–	–	–	–	–	9,000	9,000
Conversion of convertible loans	34.2(b)	101,408	–	–	325,876	–	–	427,284
Transactions with non-controlling interests	38	138,979	–	–	(22,927)	–	(116,052)	–
Issuance of equity interest to series B investors	25	226,954	–	–	1,064,046	–	–	1,291,000
Recognition of financial instruments with preferred rights at amortised cost								
– upon conversion of convertible loans	34.2(b)	–	–	(328,762)	–	–	–	(328,762)
– upon issuance of series B equity interests	34.2(c)	–	–	(1,192,480)	–	–	–	(1,192,480)
Derecognition of financial instruments with preferred rights at amortised cost	34.2(d)	–	–	1,868,696	130,887	–	–	1,999,583
Conversion into a joint stock Company	24	(1,492,693)	1,492,693	–	(492,822)	492,822	–	–
Share-based payments	27	–	–	–	5,222	–	2	5,224
At 31 December 2020		–	1,492,693	–	612,260	(631,442)	28,211	1,501,722

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Note	Year ended 31 December 2021 RMB'000	2020 RMB'000
Cash flows from operating activities			
Cash used in operations	35	**(626,189)**	(427,919)
Interest received		**4,453**	5,230
Net cash used in operating activities		**(621,736)**	(422,689)
Cash flows from investing activities			
Payments for transaction with non-controlling interests		**(100,000)**	(50,000)
Acquisition of a subsidiary		**–**	(19,565)
Investments in associates		**(1)**	(25,000)
Proceeds from disposal of investment in associate		**10,000**	–
Purchases of property, plant and equipment		**(213,385)**	(239,262)
Purchases of land use rights		**–**	(54,611)
Purchases of financial assets at fair value through profit or loss		**(1,129,000)**	(1,657,610)
Proceeds from disposal of financial assets at fair value through profit or loss		**1,464,610**	1,332,701
Proceeds from disposal of property, plant and equipment		**–**	771
Purchases of intangible assets		**(6,116)**	(9,140)
Placement of term deposits with initial terms of over three months		**(50,000)**	(20,000)
Withdrawal of term deposits with initial terms of over three months		**20,000**	–
Deposits paid for purchase of land use rights		**–**	(7,953)
Net cash used in investing activities		**(3,892)**	(749,669)
Cash flows from financing activities			
Capital contributions from shareholders		**261,120**	1,381,000
Capital contributions from non-controlling interests		**–**	13,500
Proceeds from bank borrowings		**146,112**	59,000
Repayments of bank borrowings		**(500)**	(30,000)
Proceeds from loans from Ningbo Houde Yimin		**–**	50,000
Repayments of loans from Ningbo Houde Yimin		**–**	(50,000)
Payments of lease liabilities			
– Principal		**(15,315)**	(24,126)
– Interest		**(1,803)**	(5,262)
Payments for listing expenses		**(1,816)**	–
Other interests paid		**(7,488)**	(7,433)
Net cash generated from financing activities		**380,310**	1,386,679
Net (decrease)/increase in cash and cash equivalents		**(245,318)**	214,321
Cash and cash equivalents at the beginning of year		**402,867**	188,545
Effects of exchange rate changes on cash and cash equivalents		**(2,381)**	1
Cash and cash equivalents at end of year		**155,168**	402,867

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

1 GENERAL INFORMATION

Lepu Biopharma Co., Ltd. (the "**Company'**') was incorporated in Shanghai, the People's Republic of China (the "**PRC**") on 19 January 2018 as a limited liability company. Upon approval by the shareholders' general meeting held on 10 December 2020, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC.

The Company, together with its subsidiaries (collectively referred to as the "**Group**"), are principally focus on the discovery, development and commercialisation in global of drugs for cancer targeted therapy and immunotherapy.

Upon incorporation of the Company in January 2018, the Company had a registered capital of RMB1,000,000,000 and was owned by Ningbo Houde Yimin Information Technology Co., Ltd. (寧波厚德義民信息科技有限公司) ("**Ningbo Houde Yimin**") and Lepu Medical Technology (Beijing) Co., Ltd. (樂普(北京)醫療器械股份有限公司) ("**Lepu Medical**") as to 80% and 20%, respectively.

Ningbo Houde Yimin was incorporated in the PRC on 29 March 2017 with Dr. Pu Zhongjie being its 100% ultimate controlling shareholder (the "**Controlling Shareholder**") and Lepu Medical was incorporated in the PRC on 11 June 1999 which listed on the Shenzhen Stock Exchange (stock code: 300003).

On 23 February 2022, the Company has completed a global offering of 126,876,000 H Shares of par value of RMB1.00 each at the price of HK$7.13 per H Share (the "**Offering Price**"), and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited. The gross proceeds arising from the listing amounted to approximately HK$905 million (equivalent of RMB734 million). On 22 March 2022, the Company issued additional 899,000 new H Shares upon the exercises of over-allotment of the global offering at the Offering Price.

After the Coronavirus Disease 2019 ("**COVID-19**") outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the PRC. The Group prioritises the health and safety of its employees, and has taken various preventative and quarantine measures across the Group soon after the COVID-19 outbreak. As of the date of these consolidated financial statements, the Group was not aware of any material adverse effects on the financial position as of 31 December 2021 and operating results of the Group for the year then ended. Recent development of the COVID-19 pandemic in China, such as increasing cases reported in Shanghai in March 2022 and other cities, continues to generate uncertainties over the Company's business, results of operations, financial condition and cash flows. The Group will continue to closely monitor the development of the COVID-19 outbreak and take appropriate counter-measures if any adverse impact is arising.

The consolidated financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied throughout all the years presented, unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation

The principal accounting policies applied in the preparation of consolidated financial statements are in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and the requirements of the Hong Kong Companies Ordinance (Cap. 622).

The consolidated financial statements of the Group have been prepared under the historical costs convention, as modified by the revaluation of certain financial assets and financial liabilities measured at fair value.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

For the year ended 31 December 2021, the Group has incurred net losses of RMB1,028.9 million, while net cash used in operating activities was RMB621.7 million. As at 31 December 2021, the Group had net current liabilities of RMB234.9 million, cash and cash equivalents of RMB155.2 million and term deposits with initial terms of over three months of RMB50.0 million, meanwhile, the Group had unutilised bank facilities of RMB507.1 million. Historically, the Group has relied principally on non-operational sources of financing from investors and banks to fund its operations and business development. The Group's ability to continue as a going concern is dependent on management's ability to successfully execute its business plan. The directors of the Company believes that the cash and cash equivalent, term deposits with initial terms of over three months, unutilised bank facilities together with the fund raising from global offering are sufficient to meet the cash requirements to fund planned operations and other commitments for at least the next twelve months from the date of the issuance of this consolidated financial statement. The Group therefore continues to prepare this consolidated financial statements on a going concern basis.

(a) New and amended standards adopted by the Group

The IASB has issued a number of new and amended IFRSs. For the purpose of preparing the financial statements, the Group has adopted all applicable new and amended IFRSs consistently throughout the reporting period except for any new or interpretation that are not yet effective.

(b) New/amended standards and interpretations not yet adopted

The following new/amended standards and annual improvements have been published (which may be applicable to the Group) but not mandatory for the year ended 31 December 2021 and have not been early adopted by the Group:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(b) New/amended standards and interpretations not yet adopted (continued)

		Effective for annual 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	Annual Improvements 2018-2020 cycle	1 January 2022
Amendment to IAS 1	Classification of Liabilities as Current or Non-current	Originally 1 January 2021, but extended to 1 January 2023
IFRS 17	Insurance Contracts	Originally 1 January 2021, but extended to 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 IFRS 1 and IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the impact of these new/amended standards and annual improvements, and amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the directors, no significant impact on the financial performance and positions of the Group is expected when they become effective.

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principles of consolidation and equity accounting (continued)

(a) Subsidiaries (continued)

The acquisition method of accounting is used to account for business combinations by the Group except for business combination under common control (Note 2.3(a)).

Inter-company 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 comprehensive loss, statement of changes in equity and balance sheet respectively.

(b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (Note 2.2(c)), after initially being recognised at cost.

(c) 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 2.9.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principles of consolidation and equity accounting (continued)

(d) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

Contingent consideration is initially measured at fair value and classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

2.3 Business combinations

(a) Business combination under common control

The consolidated financial statements incorporate the financial statements of the consolidating entities or business in which the common control combination occurs as if they had been consolidated from the date when the consolidating entities or business first came under the control of the controlling party.

The net assets of the consolidating entities or business are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over costs at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of comprehensive loss include the results of each of the consolidating entities or business from the earliest date presented or since the date when the consolidating entities or business first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between consolidating entities or business are eliminated on consolidation.

(b) Non-common control business combinations

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 comprises the:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations (continued)

(b) Non-common control business combinations (continued)

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

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

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

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

2.4 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Separate financial statements (continued)

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.

2.5 Segment reporting

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

2.6 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 operations of the Group are located in the PRC, the consolidated financial statements are presented in RMB, which is the Company's primary functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation. Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at financial assets at fair value through profit or loss ("**FVPL**") are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income ("**FVOCI**") are recognised in other comprehensive income ("**OCI**").

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency translation (continued)

(c) Group companies

The results and financial position of foreign operations (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:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of profit or loss and 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
- all resulting exchange differences are recognised in other comprehensive loss.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical costs include 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 item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvement and certain leased plant and equipment, the shorter lease term as follows:

— Equipment and instruments	5-10 years
— Office equipment and furniture	3-5 years
— Motor vehicles	4-10 years
— Leasehold improvements	Shorter of remaining lease term or estimated useful life
— Antibody purification resin	3-5 years

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property, plant and equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated statements of comprehensive loss.

Construction-in-progress (the "**CIP**") represents equipment and decorations under construction, and is stated at costs less accumulated impairment losses, if any. Costs includes the costs of construction and acquisition and capitalised borrowing costs. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the costs are transferred to leasehold improvements as well as equipment and instruments and depreciated in accordance with the policy as stated above.

2.8 Intangible assets

(a) Goodwill

Goodwill is measured as described in Note 2.3(b). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment at balance sheet date, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

(b) Intellectual properties

Separately acquired intellectual properties are shown at historical cost. Intellectual properties acquired in a business combination are recognised at fair value at the acquisition date. Intellectual properties have a finite useful life and are amortised using the straight-line method over their estimated useful lives of 14 to 20 years, which are determined based on the shorter of authorised useful lives and the management's estimation of the period of returns on the intellectual properties. Intellectual properties are subsequently carried at cost less accumulated amortisation and impairment losses.

The Group might acquire intellectual properties for an initial payment plus contractually agreed additional payments contingent on future events and outcomes occurred. Based on the costs accumulation model chosen by the Group, intellectual properties are recognised at acquisition at the cost paid, and variable payments are not included in the carrying amount of the asset at acquisition. Subsequently the Group capitalises the variable payments as part of the costs of the asset when paid, on the basis that these payments represent the direct costs of acquisition.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Intangible assets (continued)

(c) Research and development

The Group incurs significant costs and efforts on research and development activities. Research expenditures, mainly including clinical trial expenses, pre-clinical study costs, depreciation and amortisation, employee benefit expenses and raw materials and consumables used in research and development activities, 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 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;
- its intention to complete the development project to use or sell the product;
- its ability to use or sell the product;
- 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 product; and
- the expenditure attributable to the asset during its development can be reliably measured.

The costs of an internally generated intangible asset are the sum of the expenditure incurred from the date the asset meets the recognition criteria above to the date when it is available for use. The costs capitalised in connection with the intangible asset include costs of materials and services used or consumed, employee costs incurred in the creation of the asset and an appropriate portion of relevant overheads.

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

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

During the year ended 31 December 2021, there were no internally generated development costs meeting these criteria and capitalised as intangible assets (2020: nil).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other 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 period.

2.10 Investments and other 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 OCI 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 assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. 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 FVOCI.

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

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Investments and other financial assets (continued)

(c) Measurement

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

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

(i) 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. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses.

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

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

During the reporting period, no amount is recognised in respect of financial assets at fair value through other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Investments and other financial assets (continued)

(c) Measurement (continued)

(ii) Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For other receivables, prepayments and deposits, 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 costs or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

2.11 Offsetting financial instruments

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

2.12 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the amount determined in accordance with the expected credit loss model under IFRS 9 Financial Instruments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial guarantee contracts (continued)

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2.13 Inventories

Inventories including raw materials and consumable materials are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.14 Trade and other receivables

Trade receivables are amounts due from customers for goods 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.

2.15 Prepayments

Prepayments of the Group represent upfront cash payments made to contract research organizations ("**CROs**"), hospitals and suppliers of equipment.

Prepayments to CROs and hospitals, which are organizations that provide support to the pharmaceutical, biotechnology and medical device industries in the form of research services outsourced on a contract basis, will be subsequently recorded as research and development expenses in accordance with the applicable performance requirements within one year or less and therefore are all classified as current assets.

Prepayments for purchasing of equipment are due for transfer to property, plant and equipment and therefore are classified as non-current assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

2.17 Paid-in Capital/Share Capital

Ordinary shares are classified as equity. Financial instruments with preferred rights at amortised cost described in Note 34 are classified as liabilities.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.18 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.19 Financial instruments with preferred rights at amortised cost

A contract that contains an obligation to purchase the Company's equity instruments for cash or another financial asset gives rise to a financial liability for the present value of the redemption amount. Even if the Company's obligations to purchase is conditional on the counterparty exercising a right to redeem, the financial instruments with preferred rights are recognised as financial liability initially at the present value of the redemption amount and subsequently measured at amortised cost with interest charged in finance costs.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The carrying amount of the financial instruments derecognised was credited to the equity.

2.20 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Borrowings (continued)

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.21 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.

2.22 Current and deferred 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 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 end of the reporting period in the countries where the Company and its subsidiaries and associates 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 provided in full, 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. Deferred income tax is also 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. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.23 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 balance sheet.

(b) Post-employment obligations

Employees of the Group are covered by a defined contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these employees when they retire. The Group contributes on a monthly basis to these pension plans for the employees which are determined at a certain percentage of their salaries. Under these plans, the Group has no obligation for post-retirement benefits beyond the contribution made. Contributions to these plans are expensed as incurred and contributions paid to the defined contribution pension plans for a staff are not available to reduce the Group's future obligations to such defined contribution pension plans even if the staff leaves the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Employee benefits (continued)

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (i) when the Group can no longer withdraw the offer of those benefits; and (ii) when the entity recognises costs for a restructuring and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(d) Housing funds

The PRC employees of the Group are also entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to those funds based on a certain percentage of the employee's salaries. The Group's liabilities in respect of these funds are limited to the contributions payable in each period and the Group has no further obligation beyond the contributions made. The non-PRC employees are not covered by the housing funds.

2.24 Share-based payments

The fair value of awarded shares granted to employees under the Employee Share Ownership Plan (the "**ESOP**") less amount paid by employees is recognised as an employee benefits expense over the relevant service period, being the vesting period of the shares, and the credit is recognised in the share-based payment reserves in equity. The fair value of the shares is measured at the grant date. The number of shares expected to vest is estimated based on the non-market vesting conditions. The estimates are revised at the end of each reporting period and adjustments are recognised in profit or loss and the share-based payment reserves. 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 at the date of the forfeiture.

2.25 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 related 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 related to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss and other comprehensive income over the expected useful life of the relevant asset on straight-line basis or deducted from the carrying amount of the asset and released to the statement of comprehensive income by way of a reduced depreciation charge.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains on these assets.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes.

2.27 Earnings per share

To calculate earnings per share, the weighted average number of ordinary shares in issue before the conversion into a joint stock company was determined assuming the paid-in capital had been fully converted into share capital at the same conversion ratio of 1:1 as upon conversion into joint stock company.

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit 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 earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings 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.

2.28 Dividend income

Dividends are received from financial assets measured at fair value through profit or loss (FVPL) and at fair value through other comprehensive income (FVOCI). Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI. However, the investment may need to be tested for impairment as a consequence.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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 payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments 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 Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Leases (continued)

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 shorter of the asset's useful life and the lease term on a straight-line basis. Right-of-use assets are subject to impairment.

Payments associated with short-term leases of equipment and vehicles 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 12 months. Low-value assets comprise IT equipment and small items of office furniture.

2.30 Financial liabilities at fair value through profit or loss

Financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. At initial recognition, the Group measures a financial liability at its fair value plus or minus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial liability, such as fees and commissions. Transaction costs of financial liabilities carried at fair value through profit or loss are expensed in the statements of comprehensive loss.

Financial liabilities at fair value through profit or loss includes derivatives and financial liabilities designated as fair value through profit or loss. The Group shall present a gain or loss on those financial liabilities designated as at fair value through profit or loss as follows: the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income, and the remaining amount of change in the fair value of the liability shall be presented in profit or loss unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch in profit or loss.

The financial liability is derecognised when the obligation under the liability is discharged or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability.

During the year end 31 December 2021, no amount is recognised in respect of financial liabilities at fair value through other comprehensive income (2020: nil).

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 position.

(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 Group entities' functional currency.

The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures. The Group does not hedge against any fluctuation in foreign currency during the reporting period. The Group's subsidiaries in the PRC are exposed to foreign exchange risk arising from recognised financial assets and liabilities denominated in United States dollars ("**USD**").

As at 31 December 2021, if USD strengthened/weakened by 5% against RMB with all other variables held constant, the loss before income tax for the year would have been approximately RMB2,271,000 lower/higher (2020: RMB2,000 lower/higher), mainly as a result of foreign exchange gain or loss on translation of USD denominated cash and cash equivalents.

(ii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. Generally, the Group enters into long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. For the years ended 31 December 2021 and 2020, the Group has no interest rate swap arrangements.

A 10 basis points increase or decrease represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 10 basis points higher and all other variables were held constant, the Group's loss before income tax the year ended 31 December 2021 would approximately increase by RMB8,000 (2020: RMB6,000).

(b) Credit risk

(i) Risk management

Credit risk is managed on a group basis.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(i) Risk management (continued)

The Group is exposed to credit risk primarily in relation to its cash and cash equivalents, term deposits with initial terms of over three months, financial assets at FVPL, as well as other receivables and deposits. The carrying amount of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

To manage credit risk, cash and cash equivalents and term deposits with initial terms of over three months are mainly placed with state-owned or reputable financial institutions in the PRC and reputable financial institutions outside of the PRC. There has been no recent history of default in relation to these financial institutions. Thus, the directors of the Company were of the view the credit risk related to cash and cash equivalents was insignificant.

(ii) Impairment of financial assets

Financial assets at amortised cost

Financial assets at amortised cost mainly include other receivables and deposits. The Group considers the probability of default upon initial recognition of other receivables and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default on other receivables as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtors' ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtors;
- significant increases in credit risk on other financial instruments of the same debtors; or
- significant changes in the expected performance and behaviour of the debtors, including changes in the payments status of debtors, etc.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

Financial assets at amortised cost (continued)

For the other receivables and deposits, management applies 3-stages model to assess the expected credit loss. Management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience.

In view of the history of cooperation with the debtors and collection from them, the management of the Group believes that the credit risk inherent in the Group's outstanding other receivables is not significant. The expected credit loss rate of other receivables as at 31 December 2021 was approximately 2.29% (31 December 2020: 3.96%).

The loss allowance for financial assets at amortised cost as at 31 December 2021 and 2020 reconciles to the opening loss allowance as follows:

	Other receivables and deposits RMB'000
Opening loss allowance as at 1 January 2020	452
Increase in the allowance recognised in profit or loss during the period	212
Closing loss allowance as at 31 December 2020	664
Opening loss allowance as at 1 January 2021	**664**
Decrease in the allowance recognised in profit or loss during the period	**(266)**
Closing loss allowance as at 31 December 2021	**398**

(c) Liquidity Risk

The Group aims to maintain sufficient cash and cash equivalents 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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) Liquidity Risk (continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2021					
Borrowings	**72,383**	**39,829**	**194,155**	**22,913**	**329,280**
Trade payables	**158,818**	**–**	**–**	**–**	**158,818**
Other payables and accruals (excluding non-financial liabilities)	**280,957**	**–**	**–**	**–**	**280,957**
Lease liabilities	**20,370**	**15,671**	**4,419**	**–**	**40,460**
	532,528	**55,500**	**198,574**	**22,913**	**809,515**
At 31 December 2020					
Borrowings	6,679	26,420	138,479	–	171,578
Trade payables	42,448	–	–	–	42,448
Other payables and accruals (excluding non-financial liabilities)	299,797	–	–	–	299,797
Lease liabilities	19,022	16,206	21,099	–	56,327
	367,946	42,626	159,578	–	570,150

Variable consideration payable as described in Note 31 was recognised as financial liabilities at FVPL which are managed on a fair value basis and no contractual maturity date is applicable.

3.2 Capital management

The Group monitors capital (including shares and borrowings) by regularly reviewing the capital structure. 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 costs of capital.

In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debt.

The Group monitors its capital structure on the basis of liability-to-asset ratio, which is calculated as total liabilities divided by total assets. The liability-to-asset ratio of the Group as at 31 December 2021 and 2020 was as follows:

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital management (continued)

	As at 31 December	
	2021	2020
The liability-to-asset ratio	**59%**	38%

There were no changes in the Group's approach to capital management during the reporting period.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

3.3 Fair value estimation

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 statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) 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 (for example, over-the-counter derivatives) 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. This is the case for unlisted equity securities.

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments, and
- for other financial instruments – discounted cash flow analysis.

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2021				
Financial liabilities				
Financial liabilities at fair value through profit or loss (Note 31)	**–**	**–**	**385,466**	**385,466**
At 31 December 2020				
Financial assets				
Financial assets at fair value through profit or loss (Note 20)	–	–	330,657	330,657
Financial liabilities				
Financial liabilities at fair value through profit or loss (Note 31)	–	–	309,181	309,181

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

(a) Financial assets at fair value through profit or loss in Level 3

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

	Structured deposits RMB'000
At 1 January 2020	–
Additions	1,657,610
Settlements	(1,332,701)
Gains recognised in profit or loss	5,748
At 31 December 2020	330,657
Net unrealized gains for the year	657
At 1 January 2021	**330,657**
Additions	**1,129,000**
Settlements	**(1,464,610)**
Gains recognised in profit or loss	**4,953**
At 31 December 2021	**–**
Net unrealized gains for the year	**–**

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

(a) Financial assets at fair value through profit or loss in Level 3 (continued)

The Group entered into contracts in respect of structured deposits from banks with expected but not guaranteed rates of return for the year ended 31 December 2021 ranging from 1.1% to 3.40% (2020: 1.4%-3.37%). The Group managed and evaluated the performance of these investments on a fair value basis, in accordance with the Group's risk management and investment strategy and hence they are designated as financial assets at fair value through profit or loss. If the expected rate of return of investments in structured deposits held by the Group had been 10% higher/lower as at 31 December 2021, loss before tax for the year ended 31 December 2021 would have been approximately nil (2020: RMB45,000 lower/higher).

(b) Financial liabilities at fair value through profit or loss in Level 3

Financial liabilities at fair value through profit or loss including: (i) the variable consideration payable arisen from acquisition of 40% equity interests of Taizhou Hanzhong Biotechnology Co., Ltd. ("**Taizhou Hanzhong**") from non-controlling interest; and (ii) the convertible loans issued to the series A investors before it converted to equity in April 2020.

(i) Variable consideration payable arisen from acquisition of 40% equity interests of Taizhou Hanzhong from non-controlling interest

As at 31 December 2021 and 2020, the fair value of variable consideration payable arisen from acquisition of 40% equity of Taizhou Hanzhong from non-controlling interests was determined by the management of the Company with reference to valuation reports issued by an independent qualified professional valuer. The Company used discounted cash flow method covering the forecasted periods ending 31 December 2029 to determine the fair value of the variable consideration payable. The management considers the length of forecast period is appropriate because it generally takes longer for a biopharma company to reach a perpetual growth mode, compared to companies in other industries, especially when recombinant humanized anti-PD-1 monoclonal antibody for injection ("**PD-1**") products are still under clinical trial and the market of such product is at an early stage of development with substantial growth potential. Hence, the management believes that a forecasted period longer than five years is feasible and consistent with industry practice. Key assumptions of valuation are as follows:

	As at 31 December	
	2021	2020
The first commercialisation year of PD-1 products	**2022**	2022
Expected revenue growth rate during the forecast period from second year of commercialisation	**390%-6%**	390%-6%
Expected revenue growth rate beyond the forecast period	**3%-0%**	3%-0%
Expected market penetration rate	**0%-19%**	0%-19%
Expected success rate of commercialisation	**47%-85%**	47%-73%
Discount rate	**15.4%**	15.5%

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

(b) Financial liabilities at fair value through profit or loss in Level 3 (continued)

(i) Variable consideration payable arisen from acquisition of 40% equity interests of Taizhou Hanzhong from non-controlling interest (continued)

Should the discount rate used in discounted cash flow method be higher/lower by one point of percentage from management's estimates, the estimated fair value of financial liabilities at fair value through profit or loss as at 31 December 2021 would have been approximately RMB33,482,000 lower/RMB38,687,000 higher (31 December 2020: RMB29,266,000 lower/RMB33,967,000 higher).

The changes and valuations of variable consideration payable arisen from acquisition of 40% equity of Taizhou Hanzhong from non-controlling interests for the years ended 31 December 2021 and 2020 are presented in Note 31.

(ii) Convertible loans

Back-solve method was used to determine the share value of the Company and an equity allocation based on Option Pricing Model ("**OPM model**") is performed to arrive the fair value of the convertible loans on initial date. The key inputs were as follows:

	Key assumptions
Risk-free interest rate	2.88%
Volatility	45%
Dividend yield	0%
Lack of marketability discount	10%

As at 21 April 2020, the date of conversion of the convertible loans, discounted cash flow method was used to determine the share value of the Company, the cash flow forecast of the entire Group covering the periods ending 31 December 2029 and OPM model was further used to determine the fair value of the convertible loans. The management considers the length of forecast period is appropriate because it generally takes longer for a biopharma company to reach a perpetual growth mode, compared to companies in other industries, especially when its product is still under clinical trial and the market of such product is at an early stage of development with substantial growth potential. Hence, the management believes that a forecasted period longer than five years is feasible and consistent with industry practice. Key valuation assumptions are as follows:

	As at 21 April 2020
The first commercialisation year of pipelines of the Group	2022
Expected revenue growth rate during the forecast period from second year of commercialisation	506%-6%
Expected revenue growth rate beyond the forecast period	3%-0%
Expected market penetration rate	0%-19%
Expected success rate of commercialisation	11%-73%
Discount rate	13%

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

(b) Financial liabilities at fair value through profit or loss in Level 3 (continued)

(ii) Convertible loans (continued)

The Group performed sensitivity test to changes in the above key valuation assumptions in determining the fair value of the convertible loans. When performing the sensitivity test, the management applied an increase or decrease to each key valuation assumptions, which represents the management's assessment of reasonably possible change to these key valuation assumptions, and effect of those changes to the fair value of convertible loans is as below:

Key valuation assumptions	**Relationship of key valuation assumptions to fair value**	**Effect RMB'000**
Expected revenue growth rate during the forecast period from second year of commercialisation	The higher the revenue growth rate, the higher the fair value	5% increase/decrease change would result in increase/ (decrease) in fair value of 57,097/(52,074) as at 21 April 2020
Expected market penetration rate	The higher the expected market penetration rate, the higher the fair value	5% increase/decrease change would result in increase/ (decrease) in fair value of 24,074/(23,856) as at 21 April 2020
Expected success rate of commercialisation	The higher the expected success rate of commercialisation, the higher the fair value	5% increase/decrease change would result in increase/ (decrease) in fair value of 23,562/(24,144) as at 21 April 2020
Discount rate	The higher the discount rate, the lower the fair value	1% decrease/increase change would result in increase/ (decrease) in fair value of 7,570/(7,724) as at 21 April 2020

The changes and valuations of convertible loans are presented in Note 34.1.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies. Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.1 Development expenditures

Development expenditures incurred on the Group's development activities, including conducting clinical trials and other activities related to regulatory filings for the Group's drug candidates, are capitalised as intangible assets only when meet the capitalisation criteria set out in Note 2.8(c). Development expenditures that do not meet these capitalisation criteria are recognised as research and development expenses. During the years ended 31 December 2021 and 2020, the Group's development expenditures incurred did not meet these capitalisation principles for any products and were expensed as incurred.

4.2 Goodwill impairment

The Group tests whether goodwill has suffered any impairment at balance sheet date. The recoverable amount of a cash generating unit ("**CGU**") is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow forecasts based on financial budgets approved by management covering the forecast period ending in 31 December 2029.

Cash flows beyond the forecast period is extrapolated using the growth rates as estimated by management by reference to certain internal and external market data. Details of key assumptions are disclosed in Note 16.

4.3 Fair value of financial liabilities at fair value through profit or loss

The Group has recognised the variable consideration payable arisen from acquisition of 40% interests of Taizhou Hanzhong from non-controlling interests and convertible loans issued to the Series A Investors during the years ended 31 December 2021 and 2020 as financial liabilities at FVPL as set out in Note 31 and Note 34, respectively.

The Group evaluates the fair value of the variable consideration payable periodically using the discounted cash flow method which key assumptions were adopted to determine the fair value of the variable consideration payable. Further details are disclosed in Note 3.3(b)(i).

Management's estimates are reviewed periodically and are adjusted if necessary. Should any of the estimates and assumptions changed, it may lead to a change in the fair value to be recognised in the statements of comprehensive loss.

4.4 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 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.

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

The major operating entity of the Group is domiciled in the PRC. Accordingly, the Group's results were primarily derived in the PRC during the reporting period.

6 OTHER INCOME

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Investment income on financial assets at fair value through profit or loss	**4,953**	5,091
Government grants	**4,440**	774
Rental and related income	**1,127**	1,976
Others	**52**	123
	10,572	7,964

7 EXPENSES BY NATURE

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Clinical trial expenses	**339,472**	146,938
Employee benefit expenses (Note 8)	**256,211**	81,609
Pre-clinical study costs	**136,784**	66,905
Depreciation and amortisation	**95,246**	84,114
Raw material and consumables used	**51,139**	36,148
Listing expenses	**31,277**	–
Utilities	**6,806**	7,116
Traveling and transportation expenses	**5,499**	3,448
Office expenses	**5,282**	3,385
Professional services fees	**2,117**	8,165
Auditors' remuneration		
– Audit services	**1,000**	–
– Non-audit services	**170**	–
Others	**17,518**	12,271
Total administrative expenses, research and development expenses and other expenses	**948,521**	450,099

8 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Wages, salaries and bonuses	**115,121**	66,043
Pension costs – defined contribution plans (a)	**10,006**	154
Other social security costs, housing benefits and other employee benefits	**17,578**	10,188
Share-based payment expenses	**113,506**	5,224
	256,211	81,609

(a) The employees of the Group in the PRC are members of state-managed pension scheme operated by the PRC government. The Group is required to contribute a specified percentage of payroll costs as determined by local government authority to the pension obligations to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contribution under the scheme. The Group did not have any forfeited contribution for the years ended 31 December 2021 and 2020 in connection with the defined contribution plan operated by local governments.

(b) Employee benefit expenses were charged in the following categories in the consolidated statement of comprehensive loss:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Research and development expenses	**168,406**	48,214
Administrative expenses	**87,805**	33,350
Other expenses	**–**	45
	256,211	81,609

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2020: two) director whose emoluments are reflected in the analysis shown in Note 40. The emoluments payable to the remaining four (2020: three) individuals during the year are as follows:

8 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(c) Five highest paid individuals (continued)

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Wages and salaries	**9,722**	5,486
Bonuses	**3,884**	617
Pension costs – defined contribution plans *(i)*	**–**	–
Other social security costs, housing benefits and other employee benefits *(i)*	**480**	–
Share-based payment expenses	**73,088**	1,981
	87,174	8,084

(i) The remaining four (2020: three) highest paid individuals for the year were foreign senior managements, who are not entitled to the Group's defined contribution plans as well as other social security costs, housing benefits.

The remaining highest paid individuals fell within the following bands:

	Year ended 31 December	
	2021	2020
Emolument bands (in HK dollar)		
HK$2,500,001 – HK$3,000,000	**–**	1
HK$3,000,001 – HK$3,500,000	**–**	1
HK$3,500,001 – HK$4,000,000	**–**	1
HK$22,500,001 – HK$23,000,000	**1**	–
HK$24,000,001 – HK$24,500,000	**1**	–
HK$27,000,001 – HK$27,500,000	**1**	–
HK$30,500,001 – HK$31,000,000	**1**	–

9 FAIR VALUE CHANGES ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Fair value losses on financial liabilities at fair value through profit or loss		
– FVPL (Note 31)	**(76,285)**	(30,100)
– Convertible loans (Note 34.1)	**–**	(48,548)
Fair value gains on financial assets at fair value through profit or loss	**–**	657
	(76,285)	(77,991)

10 OTHER GAINS/(LOSSES), NET

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Net gains on disposal of investments in associates (Note 17)	**5,371**	–
Expected credit gains/(losses)	**266**	(212)
Others	**(1,039)**	(13)
	4,598	(225)

11 FINANCE INCOME AND COSTS

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Bank interest income	**4,143**	5,266
Net exchange gain	**–**	40
Finance income	**4,143**	5,306
Interest on financial instruments with preferred rights at amortised cost	**–**	(80,852)
Interest on bank borrowings	**(7,665)**	(7,046)
Interest on lease liabilities (Note 15(a))	**(2,183)**	(3,099)
Interest on loan from related party	**–**	(387)
Bank charges	**(577)**	(1,110)
Net exchange loss	**(2,408)**	–
	(12,833)	(92,494)
Less: Amount capitalised (a)	**7,152**	6,175
Finance costs	**(5,681)**	(86,319)
Finance costs, net	**(1,538)**	(81,013)

(a) The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's borrowings during the year ended 31 December 2021 which was 4.19% (2020: 4.50%) per annum.

12 INCOME TAX EXPENSE

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Current income tax expense	**–**	–
Deferred income tax expense	**–**	–
Income tax expense	**–**	–

12 INCOME TAX EXPENSE (CONTINUED)

The Group's principal applicable taxes and tax rates are as follows:

Shanghai Miracogen Inc. ("**Miracogen Shanghai**") is qualified as a High and New Technology Enterprise ("**HNTE**") under the relevant PRC laws and regulations on 18 November 2020. Accordingly, it was entitled to a preferential corporate income tax rate of 15% on its estimated assessable profits for the years ended 31 December 2020 to 2022.

Lepu (Beijing) Biopharma Co., Ltd. ("**Lepu Beijing**") is qualified as a HNTE under the relevant PRC laws and regulations on 25 October 2021. Accordingly, it was entitled to a preferential corporate income tax rate of 15% on its estimated assessable profits for the years ended 31 December 2021 to 2023.

The Company and the Company's other subsidiaries established and operated in Mainland China are subject to the PRC corporate income tax at the rate of 25%.

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 expenses incurred as tax deductible expenses when determining their assessable profits for that year.

A reconciliation of the expected income tax calculated at the applicable corporate income tax rate and loss before income tax, with the actual corporate income tax is as follow:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Loss before income tax	**(1,028,869)**	(613,448)
Tax calculated at statutory corporate income tax rates of 25%	**(257,217)**	(153,362)
Tax effect of:		
Impact of applying preferential tax rate	**36,847**	14,854
Super deduction for research and development expenses	**(54,929)**	(34,871)
Expenses not deductible for tax purpose	**47,044**	41,429
Impact on investments using equity method	**3,081**	3,021
Deductible temporary differences not recognised as deferred tax assets	**28,176**	22,149
Tax losses not recognised as deferred tax assets	**196,998**	106,780
Income tax expense	**–**	–

12 INCOME TAX EXPENSE (CONTINUED)

As at 31 December 2021, the Group had unused tax losses of approximately RMB1,947,852,000 (31 December 2020: RMB1,023,492,000) that can be carried forward against future taxable income. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future taxable income.

The unused tax losses of the Group were mainly from the subsidiaries incorporated in Mainland China, where the accumulated tax losses will normally expire within 5 years. Pursuant to the relevant regulations on extension for expiries of unused tax losses of HNTE and Small and Medium-sized Technological Enterprises issued in August 2018, the accumulated tax losses which did not expire from 2018 will have expiries extending from 5 years to 10 years from then on.

13 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.

	Year ended 31 December	
	2021	2020
Loss for the year and attributable to owners of the Company (in RMB'000)	**(1,010,996)**	(581,849)
Weighted average number of ordinary shares in issue (in thousands) *(i)*	**1,520,350**	1,134,852
Basic loss per share (in RMB)	**(0.66)**	(0.51)

(i) The weighted average number of ordinary shares in issue before the conversion into a joint stock company was determined assuming the paid-in capital had been fully converted into share capital at the same conversion ratio of 1:1 as upon conversion into joint stock company in December 2020.

(b) Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the year ended 31 December 2020, the Company had the convertible loans and financial instruments with preferred rights at amortised cost which are potential ordinary shares. As the Group incurred losses for the year ended 31 December 2020, the potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. For the year ended 31 December 2021, the Company had no potential ordinary share. Accordingly, diluted loss per share for the years ended 31 December 2021 and 2020 are the same as basic loss per share of the respective years.

14 PROPERTY, PLANT AND EQUIPMENT

	Equipment and instruments RMB'000	Office equipment and furniture RMB'000	Motor vehicles RMB'000	Leasehold improvements and Antibody purification resin RMB'000	Construction-in-progress RMB'000	Total RMB'000
At 1 January 2020						
Cost	97,949	6,187	951	65,348	171,415	341,850
Accumulated depreciation	(5,651)	(688)	(195)	(4,206)	–	(10,740)
Net book amount	92,298	5,499	756	61,142	171,415	331,110
Year ended 31 December 2020						
Opening net book amount	92,298	5,499	756	61,142	171,415	331,110
Additions	11,334	11,475	–	532	287,057	310,398
Transfer upon completion	47,974	–	–	23,520	(71,494)	–
Depreciation charge	(11,292)	(2,478)	(135)	(21,232)	–	(35,137)
Closing net book amount	140,314	14,496	621	63,962	386,978	606,371
At 31 December 2020						
Cost	157,257	17,662	951	89,400	386,978	652,248
Accumulated depreciation	(16,943)	(3,166)	(330)	(25,438)	–	(45,877)
Net book amount	140,314	14,496	621	63,962	386,978	606,371
At 1 January 2021						
Cost	**157,257**	**17,662**	**951**	**89,400**	**386,978**	**652,248**
Accumulated depreciation	**(16,943)**	**(3,166)**	**(330)**	**(25,438)**	**–**	**(45,877)**
Net book amount	**140,314**	**14,496**	**621**	**63,962**	**386,978**	**606,371**
Year ended 31 December 2021						
Opening net book amount	**140,314**	**14,496**	**621**	**63,962**	**386,978**	**606,371**
Additions	**5,911**	**2,881**	**–**	**11,897**	**257,888**	**278,577**
Transfer upon completion	**10,398**	**–**	**–**	**1,118**	**(11,516)**	**–**
Depreciation charge	**(16,720)**	**(4,786)**	**(136)**	**(26,593)**	**–**	**(48,235)**
Closing net book amount	**139,903**	**12,591**	**485**	**50,384**	**633,350**	**836,713**
At 31 December 2021						
Cost	**173,566**	**20,543**	**951**	**102,415**	**633,350**	**930,825**
Accumulated depreciation	**(33,663)**	**(7,952)**	**(466)**	**(52,031)**	**–**	**(94,112)**
Net book amount	**139,903**	**12,591**	**485**	**50,384**	**633,350**	**836,713**

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Depreciation of property, plant and equipment has been charged to the consolidated statements of comprehensive loss as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Administrative expenses	**12,226**	21,276
Research and development expenses	**36,009**	13,861
	48,235	35,137

(b) The addition in construction-in-progress for the year ended 31 December 2021 included the finance costs capitalised amounted to approximately RMB7,152,000 (2020: RMB6,175,000) (Note 11).

(c) As at 31 December 2021, certain plant under construction located in Shanghai ("**Shanghai Biological Park**") with the carrying amounts of approximately RMB562,232,000 (31 December 2020: RMB323,768,000) were pledged to bank as the security for the bank borrowings of RMB252,469,000 (31 December 2020: RMB147,266,000) (Note 28).

15 LEASES

(a) Right-of-use assets

	Land use rights RMB'000	Leased equipment RMB'000	Leased properties RMB'000	Total RMB'000
At 1 January 2020				
Cost	74,206	4,402	71,999	150,607
Accumulated depreciation	(5,223)	(1,693)	(12,970)	(19,886)
Net book amount	68,983	2,709	59,029	130,721
Year ended 31 December 2020				
Opening net book amount	68,983	2,709	59,029	130,721
Additions	54,611	–	2,473	57,084
Depreciation charge	(5,292)	(2,709)	(16,138)	(24,139)
Closing net book amount	118,302	–	45,364	163,666
At 31 December 2020				
Cost	128,817	4,402	74,472	207,691
Accumulated depreciation	(10,515)	(4,402)	(29,108)	(44,025)
Net book amount	118,302	–	45,364	163,666

15 LEASES (CONTINUED)

(a) Right-of-use assets (continued)

	Land use rights RMB'000	Leased equipment RMB'000	Leased properties RMB'000	Total RMB'000
At 1 January 2021				
Cost	**128,817**	**4,402**	**74,472**	**207,691**
Accumulated depreciation	**(10,515)**	**(4,402)**	**(29,108)**	**(44,025)**
Net book amount	**118,302**	**–**	**45,364**	**163,666**
Year ended 31 December 2021				
Opening net book amount	**118,302**	**–**	**45,364**	**163,666**
Additions	**–**	**–**	**1,200**	**1,200**
Depreciation charge	**(6,444)**	**–**	**(16,698)**	**(23,142)**
Closing net book amount	**111,858**	**–**	**29,866**	**141,724**
At 31 December 2021				
Cost	**128,817**	**4,402**	**75,672**	**208,891**
Accumulated depreciation	**(16,959)**	**(4,402)**	**(45,806)**	**(67,167)**
Net book amount	**111,858**	**–**	**29,866**	**141,724**

Depreciation charges have been expensed in the consolidated statements of comprehensive loss as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Depreciation charge of right-of-use assets		
– Land use rights (i)	**1,365**	1,579
– Leased properties	**16,698**	16,138
– Leased equipment	**–**	2,709
	18,063	20,426
Interest costs included in finance costs (Note 11)	**2,183**	3,099
Expenses relating to short-term leases (included in research and development expenses and administrative expenses)	**642**	645
Expenses relating to leases of low-value assets that shown above as short-term leases (included in administrative expenses)	**10**	4

15 LEASES (CONTINUED)

(a) Right-of-use assets (continued)

(i) For the year ended 31 December 2021, depreciation charge of land use rights approximately RMB5,079,000 (2020: RMB3,713,000) were capitalised into construction-in-progress.

(ii) For the year ended 31 December 2021, the total cash outflow for leases was approximately RMB17,118,000 (2020: RMB29,388,000).

(b) As at 31 December 2021, land use rights with the carrying amounts of approximately RMB61,559,000 (31 December 2020: RMB65,271,000) were pledged to bank as the security for the bank borrowings of RMB252,469,000 (31 December 2020: RMB147,266,000) (Note 28).

(c) Lease liabilities

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Minimum lease payments due		
– Within 1 year	**20,370**	19,022
– Between 1 and 2 years	**15,671**	16,206
– Between 2 and 5 years	**4,419**	21,099
	40,460	56,327
Less: future finance charges	**(2,195)**	(4,327)
Present value of lease liabilities	**38,265**	52,000
Portion classified as current liabilities	**18,787**	18,466
Portion classified as non-current liabilities	**19,478**	33,534
The present value of lease liabilities is as follows:		
– Within 1 year	**18,787**	18,466
– Between 1 and 2 years	**15,183**	15,035
– Between 2 and 5 years	**4,295**	18,499
	38,265	52,000

16 INTANGIBLE ASSETS

	Goodwill RMB'000	Intellectual properties RMB'000	Total RMB'000
At 1 January 2020			
Cost	52,636	500,652	553,288
Accumulated amortisation	–	(35,955)	(35,955)
Net book amount	52,636	464,697	517,333
Year ended 31 December 2020			
Opening net book amount	52,636	464,697	517,333
Additions	–	9,140	9,140
Amortisation charge	–	(28,551)	(28,551)
Closing net book amount	52,636	445,286	497,922
At 31 December 2020			
Cost	52,636	509,792	562,428
Accumulated amortisation	–	(64,506)	(64,506)
Net book amount	52,636	445,286	497,922
At 1 January 2021			
Cost	**52,636**	**509,792**	**562,428**
Accumulated amortisation	**–**	**(64,506)**	**(64,506)**
Net book amount	**52,636**	**445,286**	**497,922**
Year ended 31 December 2021			
Opening net book amount	**52,636**	**445,286**	**497,922**
Additions	**–**	**6,116**	**6,116**
Amortisation charge	**–**	**(28,948)**	**(28,948)**
Closing net book amount	**52,636**	**422,454**	**475,090**
At 31 December 2021			
Cost	**52,636**	**515,908**	**568,544**
Accumulated amortisation	**–**	**(93,454)**	**(93,454)**
Net book amount	**52,636**	**422,454**	**475,090**

(a) Amortisation of intangible assets has been charged to the consolidated statements of comprehensive loss as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Research and development expenses	**28,948**	28,551

16 INTANGIBLE ASSETS (CONTINUED)

(b) Impairment assessment for goodwill

Goodwill of approximately RMB52,636,000 is resulted from the acquisition of Miracogen Shanghai from a third party during the year of 2018 which is principally engaged in the provision of research and development focusing on antibody drug conjugate ("**ADC**") related pipelines.

Goodwill is monitored by the management at level of the CGU of Miracogen Shanghai.

The management has involved an independent qualified valuer to perform goodwill impairment assessment to assess the "value-in-use" (determined by management as the recoverable amount) of the CGU as at 31 December 2021 and 2020 by using the discounted cash flow model.

These calculations use pre-tax cash flow forecast based on financial budgets prepared by management covering the forecast period ending 31 December 2029. The management considers the length of forecast period is appropriate because it generally takes longer for a biopharma company to reach a perpetual growth mode, compared to companies in other industries, especially when ADC related products are still under clinical trial and the market of such product is at an early stage of development with substantial growth potential. Hence, the management believes that a forecasted period for CGU of Miracogen Shanghai longer than five years is feasible and consistent with industry practice. Key assumptions are disclosed as below:

	As at 31 December	
	2021	2020
The first commercialisation year of ADC related pipelines	**2023**	2023
Expected revenue growth rate during the forecast period from second year of commercialisation	**1.132%-8%**	1.365%-9%
Expected revenue growth rate beyond the forecast period	**4%-0%**	4%-0%
Expected market penetration rate	**0%-18%**	0%-18%
Expected success rate of commercialisation	**14%-35%**	14%-15%
Pre-tax discount rate	**17.1%**	16.8%

Management has determined the values assigned to certain key assumptions abovementioned as follows:

Assumption	Approach used to determine values
Revenue growth rate	Revenue growth rate covering forecast period ending 31 December 2029 were estimated based on management's expectations of market development and industry data from industry research report issued by a third-party consultation report.
Market penetration rate	Based on the expected selling conditions considering the features of marketing and technology development.

16 INTANGIBLE ASSETS (CONTINUED)

(b) Impairment assessment for goodwill (continued)

Assumption	Approach used to determine values
Success rate commercialisation	By reference to practice of biopharmaceutical industries, development of technology and related regulations from administrations.
Pre-tax discount rate	Reflect specific risks relating to the operation of the business in the PRC.

Based on the result of the goodwill impairment testing, the estimated recoverable amount of the CGU far exceeded its carrying amount and the headroom as at 31 December 2021 was approximately RMB2,687,899,000 (31 December 2020: RMB1,577,463,000).

The management performed the sensitivity analysis based on the abovementioned key assumptions have been changed. Had the estimated key assumptions during the forecast period been changed as below, the headroom would be decreased to as below:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Expected revenue growth rate from second commercialisation year during the forecast period decreased by 5%	**2,478,749**	1,419,463
Expected revenue growth rate beyond the forecast period decreased by 3%	**2,681,101**	1,573,463
Expected market penetration rate decreased by 5%	**2,529,226**	1,464,463
Expected success rate of commercialisation decreased by 5%	**2,529,226**	1,467,463
Pre-tax discount rate increased by 1%	**2,646,594**	1,548,463

The management believes that any reasonable possible change in any of the key assumptions would not cause the carrying amounts of the CGU to exceed its recoverable amount.

The management of the Company concluded that no provision for impairment on the goodwill has to be recognised as at 31 December 2021 and 2020.

17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
At beginning of the year	**160,294**	169,878
Additions	**1**	2,500
Disposals	**(4,629)**	–
Share of loss of investments	**(24,989)**	(12,084)
Dilution of the ownership interest *(Note i)*	**7,294**	–
At ending of the year	**137,971**	160,294

17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

Set out below are the associates of the Group as at 31 December 2021. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of business/country of incorporation	% of ownership interest		Nature of relationship	Measurement method	Principal activities
		2021	2020			
Wuhan Binhui Biological Technology Co., Ltd. ("**Wuhan Binhui**") (武漢濱會生物科技股份有限公司)	The PRC	20.03%	20.03%	Associate	Equity method	Research and development of biomedicine
Hangzhou HealSun Biopharma Co., Ltd. ("**Hangzhou HealSun**") (杭州皓陽生物技術有限公司)	The PRC	26.37% *(Note i)*	30%	Associate	Equity method	Technological development of biotechnology
Hangzhou Xiyuan Biotechnology Co., Ltd. ("**Hangzhou Xiyuan**") (杭州熙源生物技術有限公司) *(Note ii)*	The PRC	N/A	30%	Associate	Equity method	Technological development of biotechnology
KYM Biosciences Inc. ("**KYM**")	The United States	30%	N/A	Associate	Equity method	Technological development of biotechnology

(i) During the year ended 31 December 2021, Hangzhou HealSun has completed new financing activity by issuing share capital to certain investors, the percentage of share of interests held by the Company in Hangzhou HealSun was diluted from 30.00% to 26.37%. The dilution of the ownership interest in associate resulted in recognition of gain in consolidated statements of comprehensive loss.

(ii) As at 9 October 2021, the Company has entered into an equity transfer agreement with an independent third party (the "**Buyer**"), pursuant to which the Company has agreed to transfer and the Buyer has agreed to purchase all equity interest of Hangzhou Xiyuan held by the Company in a cash consideration of RMB10,000,000. The transaction has been completed at the end of October 2021. The difference between the consideration and the carrying amounts of the investment in Hangzhou Xiyuan of RMB5,371,000 were credit to profit and loss.

The associates of the Group have been accounted by using the equity method based on the financial information of the associates prepared under the accounting policies consistent with the Group.

All associates are engaged in biotechnology industry and at early stage of development or pre-clinical. Management performed periodically review of their business performance, including development progress of pipelines, the plan of business as well as subsequent financing, and no impairment indicator was noted as at 31 December 2021 and 2020.

(a) Summarised financial information for associates

The tables below provide summarised financial information for those associates that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and not the Company's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) Summarised financial information for associates (continued)

Summarised balance sheet

	Wuhan Binhui As at 31 December		Hangzhou HealSun As at 31 December	
	2021 RMB'000	2020 RMB'000	**2021 RMB'000**	2020 RMB'000
Current assets	**774,331**	122,679	**59,515**	30,908
– Cash and cash equivalents	**237,207**	53,995	**15,728**	8,257
Non-current assets	**359,098**	363,421	**152,278**	93,593
Total assets	**1,133,429**	486,100	**211,793**	124,501
Current liabilities	**833,304**	35,029	**25,804**	7,652
Non-current liabilities	**53**	12,383	**5,434**	7,091
Total liabilities	**833,357**	47,412	**31,238**	14,743
Non-controlling interests	**5,782**	3,220	**–**	–
Equity attribute to owners of the Company	**294,290**	435,468	**180,555**	109,758
Total equity	**300,072**	438,688	**180,555**	109,758
Share of net assets	**58,946**	87,244	**47,612**	32,927
Goodwill	**7,165**	7,165	**22,051**	25,082
Others	**–**	–	**2,197**	2,625
Carrying amount	**66,111**	94,409	**71,860**	60,634

Summarised statements of comprehensive income

	Wuhan Binhui Year ended 31 December		Hangzhou HealSun Year ended 31 December	
	2021 RMB'000	2020 RMB'000	**2021 RMB'000**	2020 RMB'000
Revenue	**2,754**	757	**92,128**	46,855
Cost of sales	**(146)**	–	**(51,510)**	(28,242)
Selling expenses	**–**	–	**(2,381)**	(1,660)
Administrative expenses	**(33,325)**	(16,955)	**(9,405)**	(7,830)
Research and development expenses	**(72,982)**	(34,898)	**(12,490)**	(16,783)
Finance (costs)/income, net	**(48,837)**	163	**(155)**	(214)
Other income	**11,469**	3,185	**–**	–
Other gains, net	**2,234**	2,199	**1,306**	5,172
Income tax expense	**–**	–	**(1,158)**	(703)
(Loss)/profit for the year	**(138,833)**	(45,549)	**16,335**	(3,405)
Other comprehensive income	**–**	–	**–**	–
Total comprehensive (loss)/ income	**(138,833)**	(45,549)	**16,335**	(3,405)

18 INVENTORIES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Raw materials	**24,184**	19,569

19 OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Value added tax recoverable	**87,016**	79,566
Deposits	**16,899**	15,803
Interest receivables	**471**	781
Prepayments for:		
– property, plant and equipment	**81,561**	64,330
– clinical trial expenses	**73,344**	62,267
Prepayments for listing expenses	**2,296**	–
Others	**22**	182
	261,609	222,929
Less: loss allowance for other receivables and deposits	**(398)**	(664)
	261,211	222,265
Less: non-current portion (a)	**(176,431)**	(152,009)
Current portion	**84,780**	70,256

(a) The non-current portion of other receivables, prepayments and deposits include prepayments to suppliers for property, plant and equipment, value added tax recoverable that could not be utilised in the coming 12 months, and deposits as guarantee of land use rights are as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Non-current assets		
Value added tax recoverable	**87,016**	79,566
Prepayments for property, plant and equipment	**81,561**	64,330
Deposits	**7,854**	8,113
	176,431	152,009

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Structured deposits from banks	**–**	330,657

The structured deposits from banks are denominated in RMB, with expected rates of return for the year ended 31 December 2021 ranging from 1.1% to 3.40% (2020: 1.4%-3.37%). All these structured deposits are purchased from reputable financial institutions in the PRC. The principals of these structured deposit are guaranteed, while the returns are not guaranteed. The contractual cash flows of structured deposit from banks do not qualify for solely payments of principal and interest. Therefore, the structured deposits from banks are measured at fair value through profit or loss. The fair values are based on cash flow discounted using the expected return based on management estimation and are within level 3 of the fair value hierarchy.

21 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Cash at bank	**155,168**	402,867

Cash and cash equivalents which are denominated in the following currencies are as follow:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
RMB	**109,743**	402,831
USD	**45,425**	36
HKD	**–**	–
	155,168	402,867

22 TERM DEPOSITS WITH INITIAL TERMS OVER THREE MONTHS

The term deposits are all denominated in RMB.

The carrying amounts of term deposits with initial terms over three months approximated their fair values as at 31 December 2021 and 2020 due to the short maturity.

23 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Financial Assets		
Financial assets at amortised cost		
– Other receivables, prepayments and deposits excluding non-financial assets	**16,994**	16,102
– Cash and cash equivalents	**155,168**	402,867
– Term deposits with the initial terms over three months	**50,000**	20,000
Financial assets at fair value through profit or loss	**–**	330,657
	222,162	769,626
Financial Liabilities		
Financial liabilities at amortised cost		
– Borrowings	**292,878**	147,266
– Trade payables	**158,818**	42,448
– Other payables and accruals excluding non-financial liabilities	**280,957**	299,797
– Lease liabilities	**38,265**	52,000
Financial liabilities at fair value through profit or loss		
– FVPL	**385,466**	309,181
	1,156,384	850,692

24 SHARE CAPITAL

	Number of shares	Nominal value of shares RMB'000
Authorised and issued		
Ordinary shares upon conversion	1,492,692,648	1,492,693
At 31 December 2020	1,492,692,648	1,492,693
At 1 January 2021	**1,492,692,648**	**1,492,693**
Issue of ordinary shares to series C investors (b)	**38,977,190**	**38,977**
At 31 December 2021	**1,531,669,838**	**1,531,670**

	Number of shares	Nominal value of shares RMB'000
Issued and fully paid		
Issue of ordinary shares upon conversion into a joint stock company (a)	1,492,692,648	1,492,693
At 31 December 2020	1,492,692,648	1,492,693
At 1 January 2021	**1,492,692,648**	**1,492,693**
Issue of ordinary shares to series C investors (b)	**38,977,190**	**38,977**
At 31 December 2021	**1,531,669,838**	**1,531,670**

24 SHARE CAPITAL (CONTINUED)

(a) In December 2020, the Company converted into a joint stock company with limited liability under the Company Law of the PRC. The net assets of the Company as of the conversion date, including paid-in capital, reserves and accumulated losses, amounting to approximately RMB3,112,653,000 were converted into approximately 1,492,693,000 ordinary shares at RMB1 each. The excess of net assets converted over nominal value of the ordinary shares was credited to the Company's share premium (Note 26).

(b) On 8 April 2021, the Company entered into investment agreement with Vivo Capital Fund IX, L.P. ("**Vivo Capital**") and Shanghai Biomedical Industrial Equity Investment Fund Partnership (Limited Partnership) ("**Shanghai Biomedical**"), pursuant to which Vivo Capital and Shanghai Biomedical subscribed 24,360,744 and 14,616,446 shares of the Company respectively, with consideration of RMB163,200,000 and RMB97,920,000, respectively. The issuance cost to be paid is approximately RMB423,000. The par value of the shares under subscription is approximately RMB38,977,000, and the difference with the total consideration after deducting insurance cost of approximately RMB221,720,000 is charged to share premium. The issuance of shares was completed on 17 April 2021.

25 PAID-IN CAPITAL

	Paid-in capital RMB'000
At 1 January 2020	1,000,000
Capital contribution from Lepu Medical (a)	25,352
Conversion of convertible loans (b)	101,408
Issuance of equity interests to series B investors (c)	226,954
Transactions with non-controlling interests (Note 38)	138,979
Conversion into a joint stock company (Note 24(a))	(1,492,693)
At 31 December 2020	–
At 31 December 2021	**N/A**

(a) On 21 April 2020, Lepu Medical subscribed paid-in capital of RMB25,352,000 with consideration of RMB90,000,000, the difference between total capital contribution and paid-in capital issued amounting to approximately RMB64,648,000 was credited into capital reserves (Note 34).

(b) On 21 April 2020, the convertible loans were converted into equity of the Company, accordingly the Company issued paid-in capital of approximately RMB101,408,000 (Note 34.1).

(c) On 30 July 2020, the Company entered into investment agreement with the series B investors, pursuant to which total capital of RMB1,291,000,000 was to be injected into the Company with approximately RMB226,954,000 and RMB1,064,046,000 credited to the Company's paid-in capital and capital reserves respectively (Note 34).

26 TREASURY STOCK AND RESERVES

		Reserves				
	Treasury stock RMB'000	Share premium RMB'000	Capital reserves RMB'000	Share-based payment reserves RMB'000	Other reserves RMB'000	Total RMB'000
Balance at 1 January 2020	(347,454)	–	31,372	143,695	(637,698)	(462,631)
Capital contribution from Lepu Medical (Note 25(a))	–	–	64,648	–	–	64,648
Conversion of convertible loans (a)	–	–	325,876	–	–	325,876
Transactions with non-controlling interests (Note 38)	–	–	(23,474)	–	547	(22,927)
Issuance of equity interest to series B investors (Note 25(c))	–	–	1,064,046	–	–	1,064,046
Recognition of financial instruments with preferred rights at amortised cost						
– upon conversion of convertible loans (a)	(328,762)	–	–	–	–	–
– upon issuance of series B equity interests (b)	(1,192,480)	–	–	–	–	–
Derecognition of financial instruments with preferred rights at amortised cost	1,868,696	–	–	–	130,887	130,887
Conversion into a joint stock company (Note 24(a))	–	1,619,960	(1,863,982)	(143,695)	(105,105)	(492,822)
Share-based payments (Note 27)	–	–	–	5,222	–	5,222
Currency translation differences	–	–	–	–	(39)	(39)
Balance at 31 December 2020	–	1,619,960	(401,514)	5,222	(611,408)	612,260
Balance at 1 January 2021	**–**	**1,619,960**	**(401,514)**	**5,222**	**(611,408)**	**612,260**
Issuance of shares to series C investors (Note 24(b))	**–**	**221,720**	**–**	**–**	**–**	**221,720**
Share-based payments (Note 27)	**–**	**–**	**–**	**113,475**	**–**	**113,475**
Currency translation differences	**–**	**–**	**–**	**–**	**27**	**27**
Balance at 31 December 2021	**–**	**1,841,680**	**(401,514)**	**118,697**	**(611,381)**	**947,482**

(a) On 4 March 2019, upon issuance of Houde Yimin Loans, the Company recorded treasury stock to reflect the carrying amount of the financial instruments with preferred rights. The difference between issuance price of the Houde Yimin Loans and the fair value of the equity on issuance date was charged to share-based payment reserves. Further details are described in Note 34.2(a).

26 TREASURY STOCK AND RESERVES (CONTINUED)

(b) On 21 April 2020, upon conversion of convertible loans, the Company derecognized the convertible loans, the difference between the fair value of the convertible loans and the paid-in capital issued of approximately RMB325,876,000 was charged to the capital reserves. Meanwhile, the Company recorded treasury stock to reflect the carrying amount of the financial instruments with preferred rights. Further details are described in Note 34.

(c) The Group recorded treasury stock to reflect the carrying amount of the financial instruments with preferred rights at the date of issuance Series B Capital Injection. Further details are described in Note 34.2(c).

(d) On 28 August 2020, upon termination of preferred rights of Houde Yimin Loans, Convertible Loans and Series B Capital Injection, the treasury stocks were derecognised and the difference between the derecognition of the financial instruments with preferred rights and the treasury stocks was charged to the other reserves. Further details are described in Note 34.2.

27 SHARE-BASED PAYMENTS

Huarui Zongheng (Beijing) Technology Co., Ltd. (華瑞縱橫(北京)科技有限公司), Shanghai Zupai Technology Partnership (Limited Partnership) (上海築湃科技合夥企業(有限合夥)), Shanghai Zulin Technology Partnership (Limited Partnership) (上海築麟科技合夥企業(有限合夥)), Shanghai Renhong Technology Partnership (Limited Partnership) (上海韌宏科技合夥企業(有限合夥)) and Shanghai Progeun Technology Co., Ltd. (上海芃橿科技有限責任公司) (collectively referred to as the "**Vehicles**") were all incorporated in the PRC under the Company Law of the PRC as a vehicle to hold the ordinary shares for the Company's employees under the ESOP of 2020.

As the Company did not have power to govern the relevant activities of the Vehicles nor repurchase or settlement obligations but only derive benefits from the contributions of the eligible employees who are awarded with the shares under the ESOP, the directors of the Company consider not to consolidate the Vehicles. No statutory financial statements had been prepared by the Vehicles during the reporting period.

(a) ESOP

On 7 December 2020, 151 eligible employees (the "**Grantees**") were granted 45,149,702 shares of the Company at a consideration of RMB1.00 per share which are vested when Grantees complete a contractual term of service with the authorization from the Board of Directors of the Company to acquire their long-term service in future.

Such plan grants under the plan vest over a period of four years of continuous service, with one-fourth (1/4) vesting upon the first anniversary of the stated vesting commencement date and the remaining vesting rateably over the following 36 months.

27 SHARE-BASED PAYMENTS (CONTINUED)

(a) ESOP (continued)

Set out below are the movement in the number of awarded restricted shares under the ESOP:

	Number of awarded restricted shares
At 1 January 2020	–
Granted	45,149,702
Vested	–
Forfeited	–
At 31 December 2020	45,149,702
At 1 January 2021	**45,149,702**
Vested	**(11,262,500)**
Forfeited	**(575,961)**
At 31 December 2021	**33,311,241**

Back-solve method and OPM model were used to determine the underlying equity fair value of the Company and the fair value of the restricted shares granted. The key inputs into the model other than the underlying equity fair value of the Company at the date of grant were as follows:

	Key assumptions
Risk-free interest rate	1.87%
Volatility	40%
Dividend yield	0%
Lack of marketability discount	10%

(b) Modification of the ESOP

In April 2021, as a reward for certain senior managements' service, the Group has entered into supplemental agreements with those senior managements to modify key terms under the original ESOP. As a result, the restriction of service conditions of 11,262,500 shares granted to those senior managements on 7 December 2020 were cancelled, and period of continuous service of 3,000,000 shares granted to a certain senior management has been shortened. Expenses related to vesting of restricted share and true up of shortened service condition restriction aforementioned amounted to approximately RMB45,202,000 were recognised immediately upon modification.

(c) Share-based payment expenses related to Houde Yimin loans

Share-based payment expenses related to Houde Yimin loans represents the difference between issuance price of such loans and fair value of equity on issue date, further details as described in Note 34.

27 SHARE-BASED PAYMENTS (CONTINUED)

(d) Expenses arising from share-based payment transactions

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Administrative expenses	**39,942**	2,481
Research and development expenses	**73,564**	2,743
	113,506	5,224

28 BORROWINGS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Current		
Bank borrowings, non-secured	**40,409**	–
Bank borrowings, secured (a)	**20,000**	–
Non-current		
Bank borrowings, secured (a)	**232,469**	147,266
	292,878	147,266

As at 31 December 2021 and 2020, the Group's borrowings were repayable as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Within 1 year	**60,409**	–
Between 1 and 2 years	**30,000**	20,000
Between 2 and 5 years	**180,000**	127,266
Over 5 years	**22,469**	–
	292,878	147,266

(a) The Group has pledged its land use rights and construction-in-progress with carrying amounts of approximately RMB61,559,000 and RMB562,232,000 respectively to bank as the security for the bank borrowings of RMB252,469,000 as at 31 December 2021. The borrowings bear interests at float rate range from 4.15% to 4.20% per annum. Interest is payable quarterly. The principals for the borrowings are payable in batches from 20 June 2022 to 1 September 2027.

28 BORROWINGS (CONTINUED)

The Group has pledged its land use rights and construction-in-progress with carrying amounts of approximately RMB65,271,000 and RMB323,768,000 respectively to bank as the security for the bank borrowings of RMB147,266,000 as at 31 December 2020. The borrowings bear interests at float rate range from 4.20% to 4.60% per annum. Interest is payable quarterly. The principals for the borrowings are payable in batches from 20 June 2022 to 1 September 2025.

Dr. Pu Zhongjie, the Controlling Shareholder, has been the guarantor of the Group's aforementioned secured bank borrowings with irrevocable joint guarantee liabilities. The guarantee period is 2 years from 1 September 2027 to 1 September 2029. Such guarantee was released on 20 April 2021.

The fair value of borrowings approximated their carrying amounts as at 31 December 2021 and 2020 as the borrowings carried interests which were benchmarked against rates announced by the People's Bank of China from time to time.

29 DEFERRED GOVERNMENT GRANTS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Government grants		
Asset-related grants (a)	**12,000**	12,000
To be realised after more than 12 months	**12,000**	12,000

(a) The asset-related grants are subsidies received from the government for compensating the Group's project of Shanghai Biological Park for high-efficiency monoclonal antibody drug production. As at 31 December 2021 and 2020, the project is still under construction and was not ready for use.

30 DEFERRED INCOME TAX

Deferred income taxes are calculated in full on temporary differences under the liability method using the tax rates at which are expected to be applied at the time of reversal of the temporary differences.

The deferred income tax assets and liabilities are mainly due from the acquisition of subsidiaries, and the amount of offsetting deferred income tax assets and liabilities as at 31 December 2021 is RMB25,046,000 (31 December 2020: RMB27,760,000).

The analysis of deferred income tax assets and liabilities before offsetting is as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	**22,335**	25,046
– Deferred income tax assets to be recovered within 12 months	**2,711**	2,714
	25,046	27,760

30 DEFERRED INCOME TAX (CONTINUED)

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Deferred income tax liabilities:		
– Deferred income tax liabilities to be settled after more than 12 months	**(60,022)**	(62,733)
– Deferred income tax liabilities to be settled within 12 months	**(2,711)**	(2,714)
	(62,733)	(65,447)
Deferred income tax liabilities – net	**(37,687)**	(37,687)

(a) Deferred tax assets

	Tax losses RMB'000
At 1 January 2020	30,476
Charged to consolidated statements of comprehensive loss	(2,716)
At 31 December 2020	27,760
At 1 January 2021	**27,760**
Charged to consolidated statements of comprehensive loss	**(2,714)**
At 31 December 2021	**25,046**

(b) Deferred tax liabilities

	Property, plant and equipment acquired in business combination RMB'000	**Intangible assets acquired in business combination RMB'000**	**Total RMB'000**
At 1 January 2020	(188)	(67,975)	(68,163)
Credited to consolidated statements of comprehensive loss	19	2,697	2,716
At 31 December 2020	(169)	(65,278)	(65,447)
At 1 January 2021	**(169)**	**(65,278)**	**(65,447)**
Credited to consolidated statements of comprehensive loss	**18**	**2,696**	**2,714**
At 31 December 2021	**(151)**	**(62,582)**	**(62,733)**

31 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Variable consideration payable arisen from acquisition of 40% equity of Taizhou Hanzhong from non-controlling interests (Note 33(a))	**385,466**	309,181
Less: current portion	**(1,179)**	–
Non-current portion	**384,287**	309,181

As described in Note 33(a), the fair value of variable consideration payable as at 31 December 2021 and 2020 was determined by an independent valuer (Note 3.3(b)(i)). And the changes in fair value was recognised in the consolidated statements of comprehensive loss.

The movements of financial liabilities at fair value through profit or loss for the years ended 31 December 2021 and 2020 are set out below:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Opening balance	**309,181**	279,081
Additions	**–**	–
Change in fair value (Note 9)	**76,285**	30,100
Closing balance	**385,466**	309,181

32 TRADE PAYABLES

The aging analysis of the trade and bills payables based on their respective invoice and issue dates are as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Less than 1 year	**157,731**	40,785
Between 1 and 2 years	**1,087**	1,663
	158,818	42,448

Trade payables are unsecured and are usually paid within 30 days from the date of initial recognition.

The carrying amounts of trade payables are considered to be the same as their fair values, due to their short-term nature.

The trade payables are all denominated in RMB.

33 OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Fixed payables for acquisition/investments (a)	**150,000**	250,000
Variable payables for acquisition/investments ((a) and Note 31)	**1,179**	–
Payables for purchase of property, plant and equipment	**111,026**	42,100
Payroll and welfare payables	**22,971**	18,600
Payables for listing expenses	**12,665**	–
Leases payables	**4,120**	3,813
Deferred government grants	**4,000**	2,000
Other taxes and surcharges payables	**1,936**	910
Payables for professional fees	**651**	1,882
Deposits from suppliers	**650**	500
Payables for interests	**342**	165
Others	**1,503**	1,337
	311,043	321,307

(a) On 29 September 2019, the Group entered into an equity purchase agreement with Hangzhou HanX Biomedical Co., Ltd. ("**HanX**") to acquire 40% equity interests of Taizhou Hanzhong held by HanX at (i) the fixed consideration of RMB350,000,000; and (ii) the variable consideration payable of 4.375% of the annual net sales revenue of PD-1 products which will be settled annually after the PD-1 products launched into the market.

34 CONVERTIBLE LOANS/FINANCIAL INSTRUMENTS WITH PREFERRED RIGHTS AT AMORTISED COST

Series A financing

On 4 March 2019, the Company, Ningbo Houde Yimin, Lepu Medical and the Controlling Shareholder entered into investment agreements (the "**Series A Investment Agreement**"), with Suzhou Danqing II Innovation Pharmaceutical Industry Investment Partnership (Limited Partnership) (蘇州丹青二期創新醫藥產業投資合夥企業(有限合夥)), Jiaxing Danqing Investment Partnership (Limited Partnership) (嘉興丹青投資合夥企業(有限合夥)), Suzhou Private Capital Investment Holding Co., Ltd. (蘇州民營資本投資控股有限公司), Suzhou Industrial Park GuoChuang KaiYuan II Investment Centre (Limited Partnership) (蘇州工業園區國創開元二期投資中心(有限合夥)), Kington Capital No. 1 Equity Investment Partnership (Limited Partnership) (蘇州翼樸一號股權投資合夥企業(有限合夥)), Suzhou Suzi Investment Limited Partnership (蘇州蘇梓投資合夥企業(有限合夥)), Suzhou Xinrui Qiyuan Investment Centre (Limited Partnership) (蘇州新銳啟源投資中心(有限合夥)) and Linzhi Lecheng Medical Industry Development Co., Ltd. (林芝樂成醫療產業發展有限公司) (collectively referred to the "**Series A Investors**"), pursuant to the Series A Investment Agreement, 1) the Company agreed to issue convertible loans to Series A Investors of RMB360,000,000 (the "**Convertible Loans**"), 2) Ningbo Houde Yimin agreed to issue exchangeable loans to the Series A Investors of RMB450,000,000 (the "**Houde Yimin Loans**") and 3) Lepu Medical agreed to subscribe additional paid-in capital of RMB25,352,113 with consideration of RMB90,000,000. The Convertible Loans and Houde Yimin Loans were repayable within 12

34 CONVERTIBLE LOANS/FINANCIAL INSTRUMENTS WITH PREFERRED RIGHTS AT AMORTISED COST (CONTINUED)

Series A financing (continued)

months from issuance of the convertible loans, bearing nil of interests. The Series A Investors were eligible to 1) convert the Convertible Loans into the Company's paid-in capital of RMB101,408,452, as capital injection to the Company and 2) exchange the Houde Yimin Loans to paid-in capital of the Company held by Ningbo Houde Yimin of RMB126,760,565, as share transferred from Ningbo Houde Yimin to the Series A Investors. The exercise of the abovementioned conversion/exchange right was solely at discretion of the Series A Investors within the period of such loans.

On 21 April 2020, abovementioned counterparties and other shareholders of the Company entered into a supplementary agreement (the "**Series A Supplement Agreement**"), pursuant to which the Series A Investors exercised the conversion/exchange right, thereafter, the Convertible Loans was converted into the Company's paid-in capital of RMB101,408,452, and Ningbo Houde Yimin has transferred the Company's paid-in capital of RMB126,760,565 to Series A Investors (collectively refer as "**Series A Conversion**"). Concurrently, Lepu Medical has subscribed additional paid-in capital of RMB25,352,113 with consideration of RMB90,000,000.

Series B financing

On 30 July 2020, the Company entered into investment agreement (the "**Series B Investment Agreement**"), with Tianjin PingAn Consumption Technology Investment Partnership (Limited Partnership) (天津市平安消費科技投資合夥企業(有限合夥)), Sunshine Life Insurance Company Limited (陽光人壽保險股份有限公司), Haitong Innovation Securities Investment Co., Ltd. (海通創新證券投資有限公司), Beijing Ronghui Sunshine Xinxing Industry Investment Management Center (Limited Partnership) (北京融匯陽光新興產業投資管理中心(有限合夥)), China Reform Guangzhou Investment Fund (Limited Partnership) (國新央企運營(廣州)投資基金(有限合夥)), SDIC Unity Capital Investment Fund (Limited Partnership) (國投創合國家新興產業創業投資引導基金(有限合夥)), Qingdao Minxin Qiyuan Investment Center (Limited Partnership) (青島民芯啟元投資中心(有限合夥)), Shenzhen Haihui Quanxing Investment Consultation Limited Partnership (Limited Partnership) (深圳市海匯全興投資諮詢合夥企業(有限合夥)), Xinye Guangzhou Equity Investment Limited Partnership (新業(廣州)股權投資合夥企業(有限合夥)), Mr. Tongjun Guo, Mr. Lei Wang, Mr. Xinglin Wang, Ms. Xia Zhang, Ms. Yong Wang, Ms. Juan Chen, Mr. Zhanjiang Wei and Mr. Yi Lin (collectively referred to as the "**Series B Investors**"), pursuant to which total capital of RMB1,291,000,000 was to be injected into the Company, the Company has then issued paid-in capital of RMB226,953,977 to the Series B Investors (collectively refer as "**Series B Capital Injection**").

In accordance with the Series A Investment Agreement and Series B Investment Agreement, Series A Investors and Series B Investors have been granted certain preferred rights upon issuance of the Convertible Loans and Houde Yimin Loans and Series B Capital Injection, the preferred rights were mainly as followings:

Redemption right

Series A Investors and Series B Investors have a right to require the Company to redeem their investments if (i) The Company failed to be qualified initial public offering ("**IPO**") before 31 December 2022; (ii) During the period from the issuance date to before the Company's qualified IPO, the Company and its ultimate controlling shareholder or existing shareholders has committed a major criminal violation.

34 CONVERTIBLE LOANS/FINANCIAL INSTRUMENTS WITH PREFERRED RIGHTS AT AMORTISED COST (CONTINUED)

Redemption right (continued)

The redemption amount of Series A is the sum amount of: (i) the original investment principal from the Series A Investors, plus an annual simple rate of 12% of the original investment principle for a period of time commencing from the delivery date to the actual payments date of the settlement (calculated as 360 days in a calendar year); (ii) the retained earnings of the Company upon the date of settlement; minus any dividends or profits distributed to Series A Investors.

The redemption amount of Series B is the original investment principal from the Series B Investors, plus an annual simple rate of 12% of the original investment principle for a period of time commencing from the delivery date to the actual payments date of the settlement (calculated as 360 days in a calendar year) and any declared but unpaid dividends or profits thereon up to the date of the settlement, meanwhile, minus any dividends or profits distributed to Series B Investors.

Anti-dilution right

If the Company increases its paid-in capital at a price lower than the price paid by Series A Investors and Series B Investors on a per paid-in capital basis, the Series A Investors and Series B Investors have a right to require the Company to issue new paid-in capital for nil consideration (or nominal consideration) to the Series A Investors and Series B Investors, so that the total amount paid by the investors divided by the total amount of paid-in capital obtained is equal to the price per paid-in capital in the new issuance.

If the Company increases its paid-in capital at a price lower than the price paid by Series A Investors and Series B Investors on a per paid-in capital basis, the Series A Investors and Series B Investors have a right to require: (1) the Company to issue new paid-in capital for nil consideration (or nominal consideration) to the Series A Investors and Series B Investors; (2) Controlling Shareholder to transfer the equity interests of the Company directly or indirectly held to the Series A Investors and Series B Investors at the lowest price allowed by the law; (3) Controlling Shareholder to settle the difference in cash; and (4) other arrangements allowed by the law, so that the total amount paid by the investors divided by the total amount of paid-in capital obtained is equal to the price per paid-in capital in the new issuance.

Liquidation preferences

In the event of any liquidation, dissolution or winding up of the Company, either voluntarily or involuntarily, the Series A Investors and Series B Investors shall be entitled to receive the liquidation preference amount, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of ordinary shares.

The liquidation preference amount of Series A Investors is calculated whichever higher of: (i) the distributable assets of the Company for Series A Investors based on their shareholding ratio and (ii) the original investment principle from the Series A Investors, plus an annual simple rate of 10% of the original investment principle for a period of time commencing from the delivery date to the actual payments date of the settlement (calculated as 360 days in a calendar year) and any declared but unpaid dividends or profits thereon up to the date of the settlement, meanwhile, minus any dividends or profits already distributed.

34 CONVERTIBLE LOANS/FINANCIAL INSTRUMENTS WITH PREFERRED RIGHTS AT AMORTISED COST (CONTINUED)

Liquidation preferences (continued)

The liquidation preference amount of Series B Investors is calculated whichever higher of: (i) the distributable assets of the Company for Series B Investors based on their shareholding ratio (if the amount of distributable assets is not enough to cover the amount calculated based on the method described in (ii) below, the difference should be paid by the original shareholder and the Controlling Shareholder); and (ii) the original investment principle from the Series B Investors, plus an annual simple rate of 10% of the original investment principle for a period of time commencing from the delivery date to the actual payments date of the settlement (calculated as 360 days in a calendar year) and any declared but unpaid dividends or profits thereon up to the date of the settlement, meanwhile, minus any dividends or profits already distributed.

A liquidation event means (i) any sale, lease, disposition or conveyance by the Company of all or substantially all of its assets (including the exclusive licensing of all or substantially all the intellectual property assets of the Company); (ii) any merger, consolidation or other transactions resulting in the Company acquired by other entity or after which change the substantial control of the Company; (iii) any transactions after which change the substantial control of the ultimate controller of the Company; (iv) any liquidation, dissolution or winding up, either voluntarily or involuntarily, of the Company; and (v) any transaction similar with above (i) to (v).

Withdrawal Rights under Acquisition

If any third party proposes to acquire all or most of the equity interests of the Company or a merger transaction, the consideration should refer to the market price. If ultimate controlling shareholder, existing shareholders and related parties propose to acquire all or most of the equity interests of the Company or a merger transaction, the transaction must obtain pre-approvals from Series A Investors and Series B Investors and Series A Investors and Series B Investors are guaranteed that the expected annual rate of return is no lower than 25%. Otherwise, the Company, ultimate controlling shareholder and the existing shareholders are obligated to bear related responsibility. The rights aforementioned are not applicable under the circumstances that the Company's equity interests held by the ultimate controlling shareholder were acquired by Lepu Medical after the Company's qualified IPO.

On 28 August 2020, the Series A Investors and Series B Investors agreed to terminate abovementioned preferred rights.

34.1 Convertible loans

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Convertible loans	**–**	–

(a) In March and June 2019, the Convertible Loans were issued according to the Series A Investment Agreement and were initially recognised as convertible loans at fair value of RMB360,000,000 in accordance with IFRS 9. The management of the Company has involved an independent qualified valuer to determine the fair value of convertible loans by using the back-solve method and OPM model upon initial recognition (Note 3.3(b)(ii)).

34 CONVERTIBLE LOANS/FINANCIAL INSTRUMENTS WITH PREFERRED RIGHTS AT AMORTISED COST (CONTINUED)

34.1 Convertible loans (continued)

(a) (continued)

The convertible loans were subsequently measured at fair value. As at 31 December 2019, the fair value of convertible loans amounted to approximately RMB380,620,000, which was determined by an independent qualified valuer using discounted cash flow method and OPM model (Note 3.3(b)(ii)). Changes in fair value was recognised in the consolidated statements of comprehensive loss.

On 21 April 2020, upon completion of Series A Conversion, the convertible loans at fair value of approximately RMB429,168,000 was derecognised and the paid-in capital was accordingly increased by approximately RMB101,408,000 in accordance with the conversion arrangement of the Series A Investment Agreement. The difference between the fair value of the convertible loans and the paid-in capital was charged the capital reserves.

(b) The movements of convertible loans for the years ended 31 December 2021 and 2020 are set out below:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Opening balance	**–**	380,620
Additions	**–**	–
Change in fair value (Note 9)	**–**	48,548
Converted into financial instruments with preferred rights at amortised cost (Note 34.2)	**–**	(429,168)
Closing balance	**–**	–

34.2 Financial Instruments with Preferred Rights at Amortised Cost

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Financial instruments with preferred rights	**–**	–

The financial instruments with preferred rights represented the paid-in capital of the Company with preferred rights held by certain investors. The Group recognised the financial instruments with preferred rights as financial liabilities due to that all triggering events as abovementioned of key preferred rights to Series A Investors and Series B Investors, are out of control of the Company and these financial instruments does not meet the definition of equity for the Company. The financial liabilities are initially measured at present value and subsequently measured at amortised cost. The present value is the amount expected to be paid to the investors upon redemption which is assumed to be at the dates of issuance of the financial instruments. Interests from the financial instruments are charged in finance cost.

34 CONVERTIBLE LOANS/FINANCIAL INSTRUMENTS WITH PREFERRED RIGHTS AT AMORTISED COST (CONTINUED)

34.2 Financial Instruments with Preferred Rights at Amortised Cost (continued)

(a) Houde Yimin Loans

In accordance with the Series A Investment, Series A Investors have been granted redemption rights upon issuance of Houde Yimin Loans. Series A Investors have a right to require the Company to redeem their investments. Therefore, the Company has undertaken the obligation to redeem the Houde Yimin Loans and then the paid-in capital converted by Houde Yimin Loans.

Therefore, on 4 March 2019, the abovementioned Houde Yimin Loans were initially recognised as financial instruments with preferred rights at amortised cost. The Company applied a redemption discount rate of 18.02%, to arrive the present value of the financial instruments issued to investors. Accordingly, the Group recorded treasury stock of approximately RMB347,454,000 to reflect the carrying amount of the financial instruments with preferred rights. The difference between issuance price of the Houde Yimin Loans and the fair value of the equity on issuance date, amounted to approximately RMB143,695,000 was recognised as the share-based compensation to reflect the benefit received by Ningbo Houde Yimin in accordance with IFRS 2 Share-based Payment.

On 28 August 2020, as the abovementioned preferred rights granted upon issuance of Houde Yimin Loans were terminated, the financial instruments with preferred rights at amortised cost of approximately RMB444,115,000 and the treasury stock of approximately RMB347,454,000 was derecognised, and the difference was charged to the other reserves, which was approximately RMB96,661,000.

(b) Convertible Loans

On 21 April 2020, upon completion of Series A Conversion, the convertible loans were derecognised and credited to equity and were further recognised as financial instruments with preferred rights at amortised cost. The Group applied a redemption discount rate of 18.81%, to arrive the present value of the financial instruments issued to investors. Accordingly, the Group recorded treasury stock of approximately RMB328,762,000 to reflect the carrying amount of the financial instruments with preferred rights at amortised cost.

34 CONVERTIBLE LOANS/FINANCIAL INSTRUMENTS WITH PREFERRED RIGHTS AT AMORTISED COST (CONTINUED)

34.2 Financial Instruments with Preferred Rights at Amortised Cost (continued)

(b) Convertible Loans (continued)

On 28 August 2020, as the abovementioned preferred rights granted upon issuance of Convertible Loans were terminated, the financial instruments with preferred rights at amortised cost of approximately RMB349,706,000 and the treasury stock of approximately RMB328,762,000 were derecognised, and the difference was charged to the other reserves, which was approximately RMB20,944,000.

(c) Series B Capital Injection

In August 2020, upon completion of Series B Capital Injection, the Company issued paid-in capital of approximately RMB226,954,000, the difference between capital contribution received from Series B Investors of RMB1,291,000,000 and paid-in capital issued was recorded as reserve. The Company further recognised the financial instruments with preferred rights at amortised cost of approximately of RMB1,192,480,000 which is the present value of the financial instruments with preferred rights issued to Series B Investors. The Company applied a redemption discount rate of 14.74%, to arrive the present value of the financial instruments issued to investors.

On 28 August 2020, as the abovementioned preferred rights granted upon issuance of Series B Capital Injection were terminated, the financial instruments with preferred rights at amortised cost of approximately RMB1,205,762,000 and the treasury stock of approximately RMB1,192,480,000 were derecognised, and the difference was charged to the other reserves, which was approximately RMB13,282,000.

(d) The movements of financial instruments with preferred rights at amortised cost for the years ended 31 December 2021 and 2020 are set out below:

	Financial instruments with preferred rights RMB'000
At 1 January 2020	397,489
Recognition of Series B Preferred Rights	1,192,480
Conversion of Convertible Loans	328,762
Charged to finance costs	80,852
Derecognition	(1,999,583)
At 31 December 2020	–
At 1 January 2021	–
At 31 December 2021	–

35 CASH FLOW INFORMATION

(a) Cash generated from operations

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Cash flows from operating activities		
Loss before income tax	**(1,028,869)**	(613,448)
Adjustments for:		
– Impairment (gain)/loss on financial assets	**(266)**	212
– Depreciation of property, plant and equipment	**48,235**	35,137
– Amortisation of intangible assets	**28,948**	28,551
– Depreciation of right-of-use assets	**18,063**	20,426
– Share-based payments	**113,506**	5,224
– Change in fair value of financial liabilities at fair value through profit or loss	**76,285**	78,648
– Change in fair value of financial assets at fair value through profit or loss	**–**	(657)
– Finance costs, net	**961**	79,903
– Investment income on financial assets at fair value through profit or loss	**(4,953)**	(5,091)
– Gain on disposal of investment in Hangzhou Xiyuan	**(5,371)**	–
– Share of loss of investments accounted for using the equity method	**17,695**	12,084
Operating cash flows before movements in working capital	**(735,766)**	(359,011)
Increase in inventories	**(4,615)**	(11,487)
Increase in other receivables, prepayments and deposits	**(20,366)**	(76,146)
Increase in trade payables and other payables and accruals	**134,558**	18,725
Cash used in operations	**(626,189)**	(427,919)

(b) Non-cash investing and financing activities

Non-cash investing and financing activities disclosed in other notes are:

- Capitalisation of depreciation charge of land use rights – Note 15(a)
- Dilution of the ownership interest – Note 17
- Recognition of financial instruments with preferred rights at amortised cost upon issuance of Houde Yimin Loans – Note 34.2(a)
- Conversion of Convertible Loans – Note 34.2(b)
- Acquisition of 36.99% equity interests of Miracogen Shanghai – Note 38(a)
- Derecognition of financial instruments with preferred rights at amortised cost – Note 34.2(d).

35 CASH FLOW INFORMATION (CONTINUED)

(c) Net Debt Reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Cash and cash equivalents	**155,168**	402,867
Term deposits with initial terms over three months	**50,000**	20,000
Financial assets at fair value through profit or loss	**–**	330,657
Financial liabilities at fair value through profit or loss	**(385,466)**	(309,181)
Convertible loans	**–**	–
Financial instruments with preferred rights at amortised cost	**–**	–
Borrowing	**(292,878)**	(147,266)
Lease liabilities	**(38,265)**	(52,000)
Net debt	**(511,441)**	245,077
Cash and liquid investments	**205,168**	753,524
Gross debt – fixed interest rates	**(78,674)**	(52,000)
Gross debt – variable interest rates	**(637,935)**	(456,447)
Net debt	**(511,441)**	245,077

	Cash and cash equivalents RMB'000	Term deposits with initial terms over three months RMB'000	Financial assets at fair value through profit or loss RMB'000	Financial liabilities at fair value through profit or loss RMB'000	Convertible loans RMB'000	Financial instruments with preferred rights at amortised cost RMB'000	Borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
Net debt as at 1 January 2020	188,545	–	–	(279,081)	(380,620)	(397,489)	(118,266)	(75,816)	(1,062,727)
Cash flows	214,321	20,000	330,000	–	–	–	(29,000)	29,388	564,709
Addition-leases	–	–	–	–	–	–	–	(2,473)	(2,473)
Non-cash movements	1	–	657	(30,100)	380,620	397,489	–	(3,099)	745,568
Net debt as at 31 December 2020	402,867	20,000	330,657	(309,181)	–	–	(147,266)	(52,000)	245,077
Cash flows	**(245,318)**	**30,000**	**(330,657)**	**–**	**–**	**–**	**(145,612)**	**17,118**	**(674,469)**
Addition-leases	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,200)**	**(1,200)**
Non-cash movements	**(2,381)**	**–**	**–**	**(76,285)**	**–**	**–**	**–**	**(2,183)**	**(80,849)**
Net debt as at 31 December 2021	**155,168**	**50,000**	**–**	**(385,466)**	**–**	**–**	**(292,878)**	**(38,265)**	**(511,441)**

36 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at end of year but not yet incurred is as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Property, plant and equipment	**164,689**	309,104

The Group entered into licensing agreements with certain collaboration parties. As at 31 December 2021, the possible contractual milestone obligation payments is approximately RMB481,984,000 (31 December 2020: RMB498,126,000), such possible obligation will be confirmed only by the occurrence of specific uncertain future events during the Group's long-term collaboration with such collaboration parties.

(b) Operating lease commitments

At end of the reporting period, the Group's commitments for future minimum lease payments under non-cancellable short-term leases as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
No later than 1 year	**710**	652

37 SUBSIDIARIES

The Group's principal subsidiaries as at 31 December 2021 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

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
Miracogen Shanghai (上海美雅珂生物技術有限責任公司)	The PRC, limited liability company	Research and development focusing on ADC related pipelines in the PRC	RMB99,371,981	**100%**	100%	**–**	–

37 SUBSIDIARIES (CONTINUED)

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
Taizhou Hanzhong (泰州翰中生物醫藥有限公司)	The PRC, limited liability company	Research and development focusing on PD-1 related pipelines in the PRC	RMB7,692,308	**91%**	91%	**9%**	9%
Taizhou Houde Aoke Technology Co., Ltd. ("**Taizhou Aoke**") (泰州厚德奧科科技有限公司)	The PRC, limited liability company	Research and development focusing on PD-L1 related pipelines in the PRC	RMB262,000,000	**70%**	70%	**30%**	30%
CtM Bio Co., Ltd.("**CtM Bio**") (樂普創一生物科技(上海)有限公司)	The PRC, limited liability company	Discovery of new drug candidates in the PRC	RMB30,000,000	**70%**	70%	**30%**	30%
Lepu Beijing (樂普(北京)生物科技有限公司)	The PRC, limited liability company	Operation of manufacturing site in Beijing, the PRC	RMB100,000,000	**100%**	100%	**–**	–
Innocube Limited	The British Virgin Islands, limited liability company	Platform for clinical development overseas in the British Virgin Islands	USD50,000	**100%**	100%	**–**	–
Shanghai Lepu Biopharma Investment Co., Ltd. ("**Lepu Shanghai**") (上海樂普生物投資有限公司)	The PRC, limited liability company	Investment holdings in the PRC	RMB50,000,000	**100%**	100%	**–**	–
Lepu Hangjia (Shanghai) Venture Capital Co., Ltd. ("**Lepu Hangjia**") (樂普航嘉(上海)創業孵化器管理有限公司)	The PRC, limited liability company	Business incubator management in the PRC	RMB50,000,000	**100%**	100%	**–**	–
Innocube Biosciences Inc.	The United States, limited liability company	Platform for clinical development overseas in the United States	USD1,600,000	**100%**	N/A	**–**	N/A

(a) Non-controlling interests ("NCI")

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

37 SUBSIDIARIES (CONTINUED)

(a) Non-controlling interests ("NCI") (continued)

Summarised balance sheet

	Taizhou Hanzhong As at 31 December		Taizhou Aoke As at 31 December		Miracogen Shanghai As at 31 December	
	2021 RMB'000	2020 RMB'000	**2021 RMB'000**	2020 RMB'000	**2021 RMB'000**	2020 RMB'000
Current assets	**24,842**	27,471	**106,029**	120,874	**N/A**	N/A
Current liabilities	**(349,879)**	(200,548)	**(73,772)**	(44,127)	**N/A**	N/A
Net current (liabilities)/assets	**(325,037)**	(173,077)	**32,257**	76,747	**N/A**	N/A
Non-current assets	**122,383**	125,124	**2,308**	2,723	**N/A**	N/A
Non-current liabilities	**–**	–	**–**	–	**N/A**	N/A
Net non-current assets	**122,383**	125,124	**2,308**	2,723	**N/A**	N/A
Net (liabilities)/assets	**(202,654)**	(47,953)	**34,565**	79,470	**N/A**	N/A
Accumulated NCI	**–**	–	**10,369**	23,841	**N/A**	N/A

Summarised statements of comprehensive loss

	Taizhou Hanzhong Year ended 31 December		Taizhou Aoke Year ended 31 December		Miracogen Shanghai Year ended 31 December	
	2021 RMB'000	2020 RMB'000	**2021 RMB'000**	2020 RMB'000	**2021 RMB'000**	2020 RMB'000
Other income	**301**	1	**2,030**	81	**N/A**	1,052
loss for the year	**(154,733)**	(110,016)	**(44,905)**	(32,880)	**N/A**	(30,844)
Other comprehensive loss	**–**	–	**–**	–	**N/A**	–
Total comprehensive loss	**(154,733)**	(110,016)	**(44,905)**	(32,880)	**N/A**	(30,844)
Loss allocated to NCI	**(3)**	(6,241)	**(13,472)**	(9,864)	**N/A**	(11,409)

Summarised cash flows

	Taizhou Hanzhong Year ended 31 December		Taizhou Aoke Year ended 31 December		Miracogen Shanghai Year ended 31 December	
	2021 RMB'000	2020 RMB'000	**2021 RMB'000**	2020 RMB'000	**2021 RMB'000**	2020 RMB'000
Cash flows used in operating activities	**(119,514)**	(105,546)	**(15,907)**	(13,066)	**N/A**	(28,116)
Cash flows (used in)/generated from investing activities	**–**	(1,717)	**(47,768)**	17	**N/A**	(8,349)
Cash flows generated from financing activities	**114,043**	116,587	**–**	128,648	**N/A**	33,599
Net (decrease)/increase in cash and cash equivalents	**(5,471)**	9,324	**(63,675)**	115,599	**N/A**	(2,866)

Note: Miracogen Shanghai has become a wholly-owned subsidiary of the Group on 29 May 2020 since the Group has completed the acquisition of remaining equity interests of Miracogen Shanghai. See Note 38(a) for further details.

38 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Acquisition of 36.99% equity interests of Miracogen Shanghai (a)	**–**	23,474
Disposal of 30% equity interests of CtM Bio (b)	**–**	(547)
	–	22,927

(a) Acquisition of 36.99% equity interests of Miracogen Shanghai

	RMB'000
Consideration recognised in the transactions with non-controlling interests:	
Total consideration	138,979
Carrying amount of non-controlling interests acquired	(115,505)
Acquisition of 36.99% equity interests of Miracogen Shanghai	23,474

On 16 May 2020, the Group and Miracogen HK has entered into an equity transfer agreement, pursuant to which the Company has agreed to acquire and Miracogen HK has agreed to sell 36.99% equity interests of Miracogen Shanghai for a consideration of 10.98% equity interests of the Company. After the exchange of equity, the total paid-in capital of the Company was increased by approximately RMB138,979,000 and the non-controlling interests was derecognised by RMB115,505,000. The difference between such paid-in capital and non-controlling interests are charged into capital reserve amounted to approximately RMB23,474,000.

On 29 May 2020, the transaction was completed and Miracogen Shanghai has become a wholly owned subsidiary of the Group.

(b) Disposal of 30% equity interests of CtM Bio

	RMB'000
Consideration recognised in the transactions with non-controlling interests:	
Total consideration	–
Carrying amount of equity interests disposed	(547)
Disposal of 30% equity interests of CtM Bio	(547)

On 1 June 2020, the Group and Dr. Fang Lei, the research and development vice present of the Group and general manager of CtM Bio, have entered into an equity transfer agreement, pursuant to which the Group have agreed to sell and Dr. Fang Lei has agreed to acquire 30% equity interests of CtM Bio at a consideration of nil.

On 29 July 2020, the transaction was completed and approximately RMB547,000 attributed to non-controlling shareholders' interests was charged to the other reserve.

39 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 because they are subject to common control, common significant influence or joint control in the controlling shareholder's families. Members of key management and their close family member of the Group are also considered as related parties.

The Group is controlled by the following entities:

			Ownership interests in the Company As at 31 December	
Name	**Type**	**Place of incorporation**	**2021**	2020
Ningbo Houde Yimin	Immediate parent entity	Ningbo, the PRC	**28.29%**	29.02%

The Company was ultimately controlled by Dr. Pu Zhongjie.

The directors are of the view that the following parties are other related parties exclude subsidiaries and associates that had transactions or balances with the Group:

Name	**Relationship with the Group**
Beijing Zhongjie Tiangong Medical Technology Co., Ltd. (北京中傑天工醫療科技有限公司)	Subsidiary of an entity which the director is a close family member of Dr. Pu Zhongjie
Beijing Pufeng Medical Management Co., Ltd. (北京普峰醫療管理有限公司)	Subsidiary of an entity which the director is a close family member of Dr. Pu Zhongjie
Beijing Volt Technology Co., Ltd. (北京伏爾特技術有限公司)	Subsidiary of an entity which the director is a close family member of Dr. Pu Zhongjie
Beijing Highthink Pharmaceutical Technology Service Co., Ltd. (北京海金格醫藥科技股份有限公司)	Entity which the director is Dr. Pu Zhongjie
Lepu Pharmaceutical Co., Ltd. (樂普藥業股份有限公司)	Controlled by controlling shareholder
Shanghai Shape Memory Alloy Material Co., Ltd. (上海形狀記憶合金材料有限公司)	Controlled by controlling shareholder
Beijing Lepu Hushengtang Network Technology Co., Ltd. (北京樂普護生堂網絡科技有限公司)	Controlled by controlling shareholder
Lepu Zhixin (Tianjin) Medical Devices Co., Ltd. (樂普智芯(天津)醫療器械有限公司)	Controlled by controlling shareholder
Shanghai Youjiali Health Management Co., Ltd. (上海優加利健康管理有限公司)	Controlled by controlling shareholder
Shenzhen Keruikang Industrial Co., Ltd. (深圳市科瑞康實業有限公司)	Controlled by controlling shareholder
Beijing Lejian Dongwai Clinic Co., Ltd. (北京樂健東外門診部有限公司)	Controlled by controlling shareholder

39 RELATED PARTY TRANSACTIONS (CONTINUED)

Name	Relationship with the Group
Beijing Aipuyi Medical Testing Center Co., Ltd.(北京愛普益醫學檢驗中心有限公司)	Controlled by controlling shareholder
Dr. Fang Lei	A senior management of the Group
CG Oncology, Inc.	Entity which the director is Ms. Pu Jue, who is director of the Company

The following significant transactions were carried out between the Group and its related parties during the reporting period. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

39.1 Transactions with other related parties

(a) Purchase and sale of raw materials and various services

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Purchase of equipment from Lepu Pharmaceutical Co., Ltd.	**–**	31,858
Leasing from:		
– Beijing Pufeng Medical Management Co., Ltd.	**6,932**	–
– Shanghai Shape Memory Alloy Material Co., Ltd.	**3,925**	739
– Beijing Zhongjie Tiangong Medical Technology Co., Ltd.	**185**	17,573
– Lepu Pharmaceutical Co., Ltd.	**–**	4,602
Purchase of technical development services from:		
– Beijing Highthink Pharmaceutical Technology Service Co., Ltd.	**40,571**	9,654
– associates	**40,825**	4,111
– other related parties	**4,368**	2,741
Purchase of professional services from CG Oncology, Inc.	**1,502**	1,841
Purchase of raw material from other related parties	**492**	1,030
Rental services provided to associates	**1,101**	1,556

(b) Loans from Ningbo Houde Yimin

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Beginning of the year	**–**	–
Loans advanced	**–**	50,000
Loans repayments received	**–**	(50,000)
Interest charged	**–**	387
Interest paid	**–**	(387)
End of the year	**–**	–

39 RELATED PARTY TRANSACTIONS (CONTINUED)

39.1 Transactions with other related parties (continued)

(c) Transaction with Non-controlling interest

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Disposal of 30% equity interests of CtM Bio (Note 38(b))	**N/A**	547

(d) Guarantee from related parties

The following balances are guaranteed by related parties for the Group's bank borrowings:

	Guaranteed by	Guaranteed credit line RMB'000	Guarantees start date	Guarantees end date	Guarantees due or not
Bank A (Note 28(a))	Dr. Pu Zhongjie	350,000	02/09/2019	25/04/2021	Due
Convertible loans	Ningbo Houde Yimin and Dr. Pu Zhongjie	360,000	04/03/2019	03/03/2020	Due

All guarantees provided by the related parties have been released before 31 December 2021.

(e) Guarantee to related parties

	Guaranteed by	Guaranteed credit line RMB'000	Guarantees start date	Guarantees end date	Guarantees due or not
Houde Yimin Loans	Ningbo Houde Yimin	450,000	04/03/2019	03/03/2020	Due

The guarantee provided to the related party has been released before 31 December 2021.

39.2 Balances with related parties

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Balances due from related parties		
Prepayment to:		
– Beijing Pufeng Medical Management Co., Ltd.	**1,390**	–
– Beijing Zhongjie Tiangong Medical Technology Co., Ltd.	**–**	1,560
– associates	**–**	2,171
	1,390	3,731

39 RELATED PARTY TRANSACTIONS (CONTINUED)

39.2 Balances with related parties (continued)

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Balances due to related parties		
Trade payables to:		
– Beijing Highthink Pharmaceutical Technology Service Co., Ltd.	**19,930**	7,968
– associates	**13,621**	27
– other related parties	**–**	878
Other payables and accruals to:		
– Beijing Pufeng Medical Management Co., Ltd.	**3,889**	1,518
– Beijing Zhongjie Tiangong Medical Technology Co., Ltd.	**–**	1,358
– other related parties	**–**	1,569
	37,440	13,318

As at 31 December 2021 and 2020, there was no any non-trade nature balance with related parties, all balances with related parties were non-interest bearing and trade in nature, and their fair values approximated their carrying amounts due to their short maturities.

39.3 Key management compensation

Key management includes executive directors, supervisors and senior managements. The compensation paid or payable to key management personnel other than directors and supervisors disclosed in Note 40 is shown as below:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Salaries, bonus and other allowances	**16,950**	8,727
Pension costs – defined contribution plans	**113**	–
Other social security costs, housing benefits, and other employee benefits	**618**	48
Share-based payment expenses	**78,776**	2,713
	96,457	11,488

40 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS

(a) Directors and supervisors

Details of the emoluments paid or payable to the directors and supervisors for the reporting period are set out as follows:

40 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (CONTINUED)

(a) Directors and supervisors (continued)

For the year ended 31 December 2021:

Name	Fees RMB'000	Salaries RMB'000	Bonus and other allowances RMB'000	Share-based payments RMB'000	Defined contribution plans RMB'000	Total RMB'000
Directors:						
Dr. Pu Zhongjie (i)	–	–	–	–	–	–
Dr. Sui Ziye (ii)	–	1,942	660	9,480	130	12,212
Dr. Hu Chaohong (iii)	–	2,409	660	9,480	–	12,549
Ms. Pu Jue (iv)	–	–	–	–	–	–
Mr. Yang Hongbing (v)	–	–	–	–	–	–
Mr. Lin Xianghong (vi)	–	–	–	–	–	–
	–	4,351	1,320	18,960	130	24,761
Independent non-executive directors:						
Mr. Zhou Demin (vii)	250	–	–	–	–	250
Mr. Yang Haifeng (viii)	250	–	–	–	–	250
Ms. Li Lan (ix)	83	–	–	–	–	83
Mr. Li Yipeng (x)	170	–	–	–	–	170
Mr. Fengmao Hua (xi)	11	–	–	–	–	11
	764	–	–	–	–	764
Supervisor:						
Mr. Xu Yang (xii)	250	–	–	–	–	250
Mr. Yang Ming (xiii)	–	–	–	–	–	–
Mr. Wang Jiwei (xiv)	–	117	12	–	39	168
	250	117	12	–	39	418

For the year ended 31 December 2020:

Name	Fees RMB'000	Salaries RMB'000	Bonus and other allowances RMB'000	Share-based payments RMB'000	Defined contribution plans RMB'000	Total RMB'000
Directors:						
Dr. Pu Zhongjie (i)	–	–	–	–	–	–
Dr. Sui Ziye (ii)	–	1,032	309	522	57	1,920
Dr. Hu Chaohong (iii)	–	2,270	469	522	–	3,261
Ms. Pu Jue (iv)	–	–	–	–	–	–
Mr. Yang Hongbing (v)	–	–	–	–	–	–
Mr. Lin Xianghong (vi)	–	–	–	–	–	–
	–	3,302	778	1,044	57	5,181

40 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (CONTINUED)

(a) Directors and supervisors (continued)

Name	Fees RMB'000	Salaries RMB'000	Bonus and other allowances RMB'000	Share-based payments RMB'000	Defined contribution plans RMB'000	Total RMB'000
Independent non-executive directors:						
Mr. Zhou Demin (vii)	15	–	–	–	–	15
Mr. Yang Haifeng (viii)	15	–	–	–	–	15
Ms. Li Lan (ix)	15	–	–	–	–	15
	45	–	–	–	–	45
Supervisor:						
Mr. Xu Yang (xii)	15	–	–	–	–	15
Mr. Yang Ming (xiii)	–	–	–	–	–	–
Mr. Wang Jiwei (xiv)	–	93	29	–	11	133
Ms. Wang Yong (xv)	–	–	–	–	–	–
	15	93	29	–	11	148

(i) Dr. Pu Zhongjie was designated as the director of the Company on 19 January 2018. For other benefit from the Controlling Shareholder Loans, please refer to Note 34.

(ii) Dr. Sui Ziye was appointed as an executive director on 22 April 2020.

(iii) Dr. Hu Chaohong was appointed as an executive director on 16 May 2020.

(iv) Ms. Pu Jue was appointed as a non-executive director on 22 April 2020.

(v) Mr. Yang Hongbing was appointed as a non-executive director on 22 April 2020.

(vi) Mr. Lin Xianghong was appointed as a non-executive director on 22 April 2020.

(vii) Mr. Zhou Demin was appointed as an independent non-executive director on 10 December 2020.

(viii) Mr. Yang Haifeng was appointed as an independent non-executive director on 10 December 2020.

(ix) Ms. Li Lan was appointed as an independent non-executive director on 10 December 2020 and resigned on 14 April 2021.

(x) Mr. Li Yipeng was appointed as an independent non-executive director on 14 April 2021.

(xi) Mr. Fengmao Hua was appointed as an independent non-executive director on 16 December 2021.

(xii) Mr. Xu Yang was appointed as a supervisor on 10 December 2020.

(xiii) Mr. Yang Ming was appointed as a supervisor on 10 December 2020.

(xiv) Mr. Wang Jiwei was appointed as a supervisor on 10 December 2020.

(xv) Ms. Wang Yong was appointed as a supervisor on 19 January 2018 and resigned on 10 December 2020.

No directors or supervisors waived or agreed to waive any emoluments during the reporting period. No emoluments were paid to directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office during the reporting period.

40 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (CONTINUED)

(b) Directors and supervisors' retirement benefits

None of the directors or supervisors received or will receive any retirement benefits during the reporting period.

(c) Directors and supervisors' termination benefits

None of the directors or supervisors received or will receive any termination benefits during the reporting period.

(d) Information about loans, quasi-loans and other dealings in favour of directors, supervisors and bodies corporate controlled by or entities connected with directors

Other than disclosed in Note 39, there were no loans, quasi-loans and other dealings in favour of directors, supervisors or controlled bodies corporate by and connected entities with such directors or supervisors during the reporting period.

(e) Directors and supervisors' material interests in transactions, arrangements or contracts

Other than disclosed in Note 39, there were no other significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director or supervisor of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the reporting period.

41 DIVIDEND

No dividend has been paid or declared by the Company or companies comprising the Group during the years ended 31 December 2021 and 2020.

42 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Assets		
Non-current assets		
Property, plant and equipment	**630,834**	379,042
Right-of-use assets	**113,760**	119,966
Intangible assets	**24,187**	25,765
Investments in subsidiaries	**1,965,765**	1,938,434
Investments accounted for using the equity method	**137,971**	155,043
Other receivables, prepayments and deposits	**105,607**	75,357
Total non-current assets	**2,978,124**	2,693,607

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

Balance sheet of the Company (continued)

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Current assets		
Other receivables, prepayments and deposits	**1,125,315**	627,359
Financial assets at fair value through profit or loss	**–**	330,657
Cash and cash equivalents	**78,896**	232,364
Term deposits with initial terms of over three months	**50,000**	20,000
Total current assets	**1,254,211**	1,210,380
Total assets	**4,232,335**	3,903,987
Equity		
Share capital	**1,531,670**	1,492,693
Reserves	**1,960,377**	1,625,182
(Accumulated losses)/Retain earnings	**(306,249)**	17,378
Total equity	**3,185,798**	3,135,253
Liabilities		
Non-current liabilities		
Borrowings	**232,469**	147,266
Lease liabilities	**854**	1,217
Deferred government grants	**12,000**	12,000
Financial liabilities at fair value through profit or loss	**384,287**	309,181
Total non-current liabilities	**629,610**	469,664
Current liabilities		
Borrowings	**60,409**	–
Trade payables	**12,228**	5,435
Other payables and accruals	**343,189**	293,054
Lease liabilities	**1,101**	581
Total current liabilities	**416,927**	299,070
Total liabilities	**1,046,537**	768,734
Total equity and liabilities	**4,232,335**	3,903,987

The balance sheet of the Company was approved by the Board of Directors on 29 March 2022 and was signed on its behalf:

Dr. Pu Zhongjie
Executives Director

Dr. Sui Ziye
Executives Director

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

Reserve movement of the Company

	Reserves					
	Treasury stock RMB'000	Share premium RMB'000	Capital reserves RMB'000	Share-based payment reserves RMB'000	Other reserves RMB'000	Total RMB'000
Balance at 1 January 2020	(347,454)	–	–	143,695	(25,782)	117,913
Capital contribution from Lepu Medical (Note 25(a))	–	–	64,648	–	–	64,648
Conversion of convertible loans (Note 26 (a))	–	–	325,876	–	–	325,876
Transactions with non-controlling interests (Note 38)	–	–	409,412	–	–	409,412
Issuance of equity interest to series B investors (Note 25(c))	–	–	1,064,046	–	–	1,064,046
Recognition of financial instruments with preferred rights at amortised cost						
– upon conversion of convertible loans (Note 26(a))	(328,762)	–	–	–	–	–
– upon issuance of series B equity interests (Note 26(b))	(1,192,480)	–	–	–	–	–
Derecognition of financial instruments with preferred rights at amortised cost	1,868,696	–	–	–	130,887	130,887
Conversion into a joint stock company (Note 24(a))	–	1,619,960	(1,863,982)	(143,695)	(105,105)	(492,822)
Share-based payments (Note 27)	–	–	–	5,222	–	5,222
Balance at 31 December 2020	–	1,619,960	–	5,222	–	1,625,182
Balance at 1 January 2021	**–**	**1,619,960**	**–**	**5,222**	**–**	**1,625,182**
Issuance of shares to series C investors (Note 24(b))	**–**	**221,720**	**–**	**–**	**–**	**221,720**
Share-based payments (Note 27)	**–**	**–**	**–**	**113,475**	**–**	**113,475**
Balance at 31 December 2021	**–**	**1,841,680**	**–**	**118,697**	**–**	**1,960,377**

43 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Other than the events as disclosed in Note 1, there is no other significant event occurred after the balance sheet date.

THREE-YEAR FINANCIAL SUMMARY

	December 31, 2021 RMB'000	December 31, 2020 RMB'000	December 31, 2019 RMB'000
Total assets	**2,082,061**	2,423,611	1,525,281
Total liabilities	**1,234,978**	921,889	1,710,921
Total equity	**847,083**	1,501,722	(185,640)
Other income	**10,572**	7,964	5,553
Other expenses	**(1,074)**	(1,915)	(892)
Administrative expenses	**(156,237)**	(93,757)	(191,551)
Research and development expenses	**(791,210)**	(354,427)	(229,197)
Fair value changes on financial assets and liabilities at fair value through profit and loss	**(76,285)**	(77,991)	(38,312)
Other gains/(losses), net	**4,598**	(225)	(256)
Operating loss	**(1,009,636)**	(520,351)	(454,655)
Finance costs, net	**(1,538)**	(81,013)	(52,162)
Share of loss of investments accounted for using the equity method	**(17,695)**	(12,084)	(8,675)
LOSS BEFORE INCOME TAX	**(1,028,869)**	(613,448)	(515,492)

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"actual controller"	the individual or entity that can control a company by way of investment, contract or other arrangements according to the Listing Rules of the Growth Enterprise Market ("創業板股票上市規則") published by Shenzhen Stock Exchange where Lepu Medical is listed
"ADC"	antibody drug conjugate, a class of biopharmaceutical drugs that combine monoclonal antibodies specific to surface antigens present on particular tumor cells with highly potent antitumor small molecule agents linked via a chemical linker
"AE"	adverse event, which may be mild, moderate, or severe, any untoward medical occurrences in a patient administered a drug or other pharmaceutical product during clinical trials and which do not necessarily have a causal relationship with the treatment
"AGM"	the annual general meeting of the Company for the year ended December 31, 2021 to be convened and held on June 21, 2022
"Articles"	the articles of association of the Company, as amended, modified or supplemented from time to time
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Company
"Authorized Representative(s)"	the authorized representative(s) of the Company
"BC"	breast cancer
"B cell"	a type of white blood cell that differs from other types of lymphocytes by expressing B cell receptors on its surface, and responsible for producing antibodies
"Bacillus Calmette-Guerin" or "BCG"	a type of bacteria that causes a reaction in a patient's immune system that can destroy cancer cells located in the lining of the bladder. It is also widely used as a vaccine against tuberculosis
"Beijing Houde Yimin"	Beijing Houde Yimin Investment Management Co., Ltd. (北京厚德義民投資管理有限公司), a limited liability company incorporated in the PRC on August 17, 2009
"Board Committee(s)"	the board committees of our Company, namely the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee and the Strategy Committee

"Board of Directors" or "Board"	the board of Directors of the Company
"BTC"	biliary tract cancer
"CD20"	a B-lymphocyte antigen that is expressed on the surface of B cells, starting at the pre-B cell stage and also on mature B cells in the bone marrow and in the periphery
"CDMO"	contract development and manufacturing organization, a pharmaceutical company that develops and manufactures drugs for other pharmaceutical companies on a contractual basis
"CG Code"	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
"CG Oncology"	CG Oncology, Inc. (previously known as Cold Genesys, Inc.), a clinical-stage immuno-oncology company headquartered in the U.S., of which Lepu Medical holds approximately 7.73% equity interest through Lepu Holdings Limited, a company wholly owned by Lepu Medical, and Ms. Pu Jue (蒲珏) serves as a director
"chemotherapy"	a category of cancer treatment that uses one or more anti-cancer small molecule chemical agents as part of its standardized regimen
"China", "Mainland China" or "PRC"	the People's Republic of China excluding, for the purpose of this annual report, Hong Kong, Macau Special Administrative Region and Taiwan
"CLDN18.2"	Claudin 18.2, a highly specific tissue junction protein for gastric tissue
"CMC"	chemistry, manufacturing, and controls processes in the development, licensure, manufacturing, and ongoing marketing of pharmaceutical products
"combination therapy"	a treatment modality that combines two or more therapeutic agents
"Company" or "our Company"	Lepu Biopharma Co., Ltd. (樂普生物科技股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Stock Exchange (stock code: 2157)
"Company Law" or "PRC Company Law"	the Company Law of the PRC《中華人民共和國公司法》, enacted by the Standing Committee of the Eighth National People's Congress on December 29, 1993 and effective on July 1, 1994, and subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018, as amended, supplemented or otherwise modified from time to time

"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Compliance Adviser"	has the meaning ascribed to it under the Listing Rules
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder"	has the meaning ascribed under the Listing Rules and unless the context otherwise requires, refers to Dr. Pu Zhongjie
"Core Product(s)"	has the meaning ascribed to it in Chapter 18A of the Listing Rules; for purposes of this annual report, our core products include MRG003, MRG002, HX008 and LP002
"CRO"	contract research organization, a pharmaceutical company that conducts research for other pharmaceutical companies on a contractual basis
"CtM Bio"	CtM Bio Co., Ltd. (樂普創一生物科技(上海)有限公司), a limited liability company incorporated in the PRC on March 26, 2020, and our non-wholly owned subsidiary
"Director(s)"	the director(s) of the Company
"Domestic Share(s)"	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB and are unlisted Shares which are currently not listed or traded on any stock exchange
"Dr. Pu" or "Dr. Pu Zhongjie"	Dr. Pu Zhongjie (蒲忠傑), the Controlling Shareholder of our Company
"EGFR"	epidermal growth factor receptor
"EHS"	environment, health, and safety
"ES-SCLC"	extensive stage small-cell lung cancer
"FDA"	Food and Drug Administration of the United States
"first-line" or "1L"	with respect to any disease, the first line therapy, which is the treatment regimen or regimens that are generally accepted by the medical establishment for initial treatment. It is also called primary treatment or therapy
"FISH"	fluorescence in situ hybridization, a test that maps the genetic material in human cells, including specific genes or portions of genes

"GC"	gastric cancer
"GEJ"	gastroesophageal junction
"Global Offering"	the offer of the H Shares for subscription as described in the Prospectus
"GMP"	a system for ensuring that products are consistently produced and controlled according to quality standards, which is designed to minimize the risks involved in any pharmaceutical production that cannot be eliminated through testing the final product. It is also the practice required in order to conform to the guidelines recommended by agencies that control the authorization and licensing of the manufacture and sale of pharmaceutical products
"Group", "we", "us" or "our"	the Company and its subsidiaries
"Hangzhou HealSun"	Hangzhou HealSun Biopharma Co., Ltd. (杭州皓陽生物技術有限公司), a limited liability company incorporated in the PRC on November 19, 2015
"HanX"	Hangzhou HanX Biomedical Co., Ltd. (杭州翰思生物醫藥有限公司), a limited liability company incorporated in the PRC on August 3, 2016, which is a biopharmaceutical company principally engaged in biological products, biotechnology, medical technology development and consulting, and held by Mr. Zhang Faming, the former director of Miracogen Shanghai as to 53.75% and four Independent Third Parties as to 46.25% in aggregate with each Independent Third Party holding no more than 20% of the equity interest of HanX
"HCC"	hepatocellular carcinoma, a common form of liver cancer
"HER2"	human epidermal growth factor receptor2
"HER2-expressing"	HER2 status of tumor cells identified with a test score of IHC 1+ or above
"HER2 low-expressing"	HER2 status of tumor cells identified with a test score of IHC 1+ or IHC 2+ plus FISH (or ISH)-
"HER2-positive" or "HER2 over-expressing"	HER2 status of tumor cells identified with a test score of either IHC 3+ or IHC 2+/FISH (or ISH) + (IHC 2+ plus FISH (or ISH)+)
"HK$" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HNSCC"	head and neck squamous cell carcinoma
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"H Share(s)"	overseas listed foreign invested ordinary share(s) in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, listed on the Main Board of the Stock Exchange
"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hubei Waterstone"	Hubei Waterstone Pharmaceutical Co., Ltd. (湖北華世通生物醫藥科技有限公司), a biotechnology company engaging in the manufacturing and sales of pharmaceutical raw materials, biological fermentation and pharmaceutical intermediates and is controlled by Mr. Zhang Faming (張發明) as to 32.13%, a former director of Miracogen Shanghai, our wholly owned subsidiary, and therefore a connected person of our Company pursuant to Chapter 14A of the Listing Rules
"iBridge"	iBridge HK Holding Limited, and an affiliate of Keymed
"IC50"	half maximal inhibitory concentration
"IFRS"	International Financial Reporting Standards, which include standards, amendments and interpretations issued by the International Accounting Standards Board
"IgG"	human immunoglobulin G, the most common antibody type found in blood circulation that plays an important role in antibody-based immunity against invading pathogens
"IHC"	immunohistochemistry, the most common application of immunostaining. It involves the process of selectively identifying antigens in cells of a tissue section by exploiting the principle of antibodies binding specifically to antigens in biological tissues
"I-Mab Shanghai"	I-Mab Biopharma Co., Ltd. (天境生物科技(上海)有限公司), a limited liability company incorporated in the PRC on August 24, 2016, as the case may be, its affiliated entities
"IND"	investigational new drug or investigational new drug application, also known as clinical trial application in China or the U.S.
"Independent Third Party(ies)"	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, is/are not a connected person of the Company within the meaning ascribed thereto under the Listing Rules

"Keymed"	Keymed Bioscience (Chengdu) Co., Ltd. (康諾亞生物醫藥科技(成都)有限公司), a limited liability company incorporated in the PRC on September 1, 2016, which is a third-party biotechnology company focusing on the inhouse discovery and development of innovative biological therapies in the autoimmune and oncology therapeutic areas
"Kington Capital"	Kington Capital No. 1 Equity Investment Partnership (Limited Partnership) (蘇州翼樸一號股權投資合夥企業(有限合夥))
"KYM"	KYM Biosciences Inc., a Delaware corporation and a joint venture formed in the U.S. by Keymed and our Group
"Latest Practicable Date"	April 14, 2022, being the latest practicable date prior to the printing of this report for the purpose of ascertaining certain information contained in this report
"Lepu Beijing"	Lepu (Beijing) Biopharma Co., Ltd. (樂普(北京)生物科技有限公司), a limited liability company incorporated in the PRC on July 30, 2018, and a wholly owned subsidiary of the Company
"Lepu Medical"	Lepu Medical Technology (Beijing) Co., Ltd. (樂普(北京)醫療器械股份有限公司), a joint stock company incorporated in the PRC on June 11, 1999 and listed on the Shenzhen Stock Exchange (stock code: 300003)
"Lepu Medical Connected Persons"	Lepu Medical and its subsidiaries and associates (excluding our Group)
"Listing"	the listing of the H Shares of the Company on the Main Board of the Stock Exchange
"Listing Date"	February 23, 2022
"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
"mAb"	monoclonal antibody, an antibody generated by identical cells that are all clones of the same parent cell
"Main Board"	the Main Board of the Stock Exchange
"Miracogen HK"	Miracogen Limited, a limited liability company established under the laws of Hong Kong and a special purpose investment vehicle wholly-owned by Miracogen Inc., which in turn is a company wholly-owned by Dr. Hu Chaohong, our executive Director and co-chief executive officer of our Company

"Miracogen Shanghai"	Shanghai Miracogen Inc. (上海美雅珂生物技術有限責任公司), a limited liability company incorporated in the PRC on January 27, 2014, and a wholly owned subsidiary of the Company
"MMAE"	monomethyl auristatin E, a potent tubulin binder with a half maximal inhibitory concentration (IC50) in the subnanomolar range
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"MSI-H/dMMR"	high levels of microsatellite instability/deficient mismatch repair
"Nasdaq"	Nasdaq Global Select Market
"NDA"	new drug application
"NHL"	non-Hodgkin's lymphoma
"Ningbo Houde Yimin"	Ningbo Houde Yimin Information Technology Co., Ltd. (寧波厚德義民信息科技有限公司), a limited liability company incorporated in the PRC on March 29, 2017
"NK Cell"	natural killer cell, a kind of cells that play important roles in immunity against viruses and in the immune surveillance of tumors
"NMIBC"	non-muscle invasive bladder cancer
"NMPA"	the National Medical Products Administration of the PRC (國家藥品監督管理局)
"Nomination Committee"	the nomination committee of the Company
"NPC"	nasopharyngeal cancer
"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
"PD-L1"	PD-1 ligand 1, which is a protein on the surface of a normal cell or a cancer cell that binds to its receptor, PD-1, on the surface of the T cell that causes the T cell to turn off its ability to kill the cancer cell

"Phase I clinical trials"	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
"Phase II clinical trials"	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
"Phase III clinical trials"	study in which a drug is administered to an expanded patient population generally at geographically dispersed clinical trial sites, in well-controlled clinical trials to generate enough data to statistically evaluate the efficacy and safety of the product for approval, to provide adequate information for the labeling of the product
"placebo"	any dummy medical treatment administered to the control group in a controlled clinical trial in order that the specific and non-specific effects of the experimental treatment can be distinguished
"PRC Legal Adviser"	Zhong Lun Law Firm, our legal adviser as to the laws of the PRC
"pre-clinical studies"	studies or programs testing a drug on non-human subjects, to gather efficacy, toxicity, pharmacokinetic and safety information and to decide whether the drug is ready for clinical trials
"Procurement Framework Agreement"	a procurement of products and services framework agreement entered into between the Company and Lepu Medical (on behalf of Lepu Medical Connected Persons) on December 16, 2021
"Prospectus"	the prospectus issued by the Company dated February 10, 2022
"registrational trial"	a clinical trial or study intended to provide evidence for a drug marketing approval
"Remuneration and Appraisal Committee"	the remuneration and appraisal committee of the Company
"Reporting Period"	the year ended December 31, 2021
"RMB"	Renminbi, the lawful currency of the PRC
"Seagen Inc."	a global biotechnology company, previously known as Seattle Genetics Inc.
"second-line" or "2L"	with respect to any disease, the therapy or therapies that are tried when the first-line treatments do not work adequately

"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Shanghai JMT-Bio, Inc."	Shanghai JMT-Bio, Inc. (上海津曼特生物科技有限公司), a limited liability company incorporated in the PRC on June 5, 2012
"Shanghai Lvyuan"	Lvyuan (Shanghai) Technology Co., Ltd. (律元(上海)科技有限公司), a limited liability company incorporated in the PRC on April 11, 2019
"Shanghai Stock Exchange"	the Shanghai Stock Exchange (上海證券交易所)
"Shareholder(s)"	holder(s) of the Shares
"Share(s)"	shares in the share capital of the Company, with a nominal value of RMB1.00 each, comprising the Domestic Shares, Unlisted Foreign Shares and H Shares
"SHC"	Shanghai Healthcare Capital Partnership (Limited Partnership) (上海生物醫藥產業股權投資基金合夥企業(有限合夥))
"Shenzhen Shiyu"	Shenzhen Shiyu Capital Management Co., Ltd. (深圳市拾玉投資管理有限公司)
"Shenzhen Stock Exchange"	the Shenzhen Stock Exchange (深圳證券交易所)
"SMO"	site management organization, an organization that provides clinical trial related services to pharmaceutical and medical device companies having adequate infrastructure and staff to meet the requirements of the clinical trial protocol
"solid tumors"	an abnormal mass of tissue that usually does not contain cysts or liquid areas. Solid tumors may be benign (not cancer), or malignant (cancer). Different types of solid tumors are named for the type of cells that form them
"standard of care"	treatment that is accepted by medical experts as a proper treatment for a certain type of disease and that is widely used by healthcare professionals
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategy Committee"	the strategy committee of the Company
"subsidiaries"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Supervisor(s)"	supervisor(s) of the Company
"Supervisory Committee"	the supervisory committee of the Company

"Suzhou Private Capital Investment"	Suzhou Private Capital Investment Holdings Co., Ltd. (蘇州民營資本投資控股有限公司)
"Suzhou Suzi"	Suzhou Suzi Investment Limited Partnership (蘇州蘇梓投資合夥企業(有限合夥))
"Taizhou Aoke"	Taizhou Houde Aoke Technology Co., Ltd. (泰州厚德奧科科技有限公司), a limited liability company incorporated in the PRC on March 23, 2018, and a non-wholly owned subsidiary of the Company
"Taizhou Hanzhong"	Taizhou Hanzhong Biotechnology Co., Ltd. (泰州翰中生物醫藥有限公司), a limited liability company incorporated in the PRC on November 25, 2016, and our non-wholly owned subsidiary
"T cell"	a lymphocyte of a type produced or processed by the thymus gland and actively participating in the immune response, which plays a central role in cell-mediated immunity. T cells can be distinguished from other lymphocytes, such as B cells and NK cells, by the presence of a T cell receptor on the cell surface
"Technology Service Framework Agreement"	a technology service framework agreement entered into between the Company and Hubei Waterstone on December 16, 2021
"TGFBRII"	TGF-β receptor II
"tissue factor" or "TF"	a protein encoded by the F3 gene, present in subendothelial tissue and leukocytes. Many cancer cells express high level of TF
"TNBC"	triple-negative breast cancer
"UC"	urothelial cancer
"Unlisted Foreign Shares"	ordinary shares issued by the Company with a nominal value of RMB1.00 each and are held by foreign investors and are not listed on any stock exchange
"US" or "United States" or "the U.S."	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
"US$"	United States dollars, the lawful currency of the United States
"vc linker"	valine-citrulline linker, which is adequately stable in blood circulation and cleaved effectively by the lysosomal cathepsin enzyme after the ADC is internalized and enters lysosome
"Yipu LP"	Suzhou Yipu No. 2 Venture Investment Limited Partnership* (蘇州翼樸二號創業投資合夥企業(有限合夥)), a shareholder of Hangzhou Healsun

* *For identification purposes only*