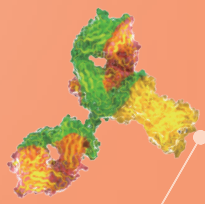
创胜集团
TRANSCENTA

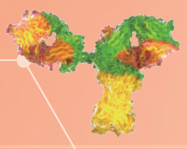
Transcenta Holding Limited
創勝集團醫藥有限公司

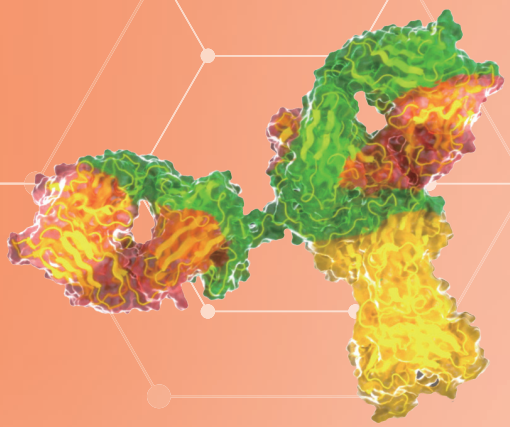
(registered by way of continuation in the Cayman Islands with limited liability)

Stock Code: 6628

2021
ANNUAL REPORT







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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. Xueming Qian (錢雪明) *(Chief Executive Officer)*
Dr. Michael Ming Shi (石明) *(Chief Medical Officer)*
Mr. Albert Da Zhu (朱達)
Mr. Xiaolu Weng (翁曉路) *(Chief Financial Officer)*

Non-Executive Director

Dr. Yining (Jonathan) Zhao (趙奕寧)
(Chairman of the Board)

Independent Non-Executive Directors

Mr. Jiasong Tang (唐稼松)
Dr. Jun Bao (包駿)
Mr. Zhihua Zhang (張志華)

AUDIT COMMITTEE

Mr. Jiasong Tang (唐稼松) *(Chairperson)*
Dr. Yining (Jonathan) Zhao (趙奕寧)
Mr. Zhihua Zhang (張志華)

REMUNERATION COMMITTEE

Dr. Jun Bao (包駿) *(Chairperson)*
Mr. Jiasong Tang (唐稼松)
Mr. Zhihua Zhang (張志華)

NOMINATION COMMITTEE

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Dr. Xueming Qian (錢雪明)
Dr. Jun Bao (包駿)

JOINT COMPANY SECRETARIES

Mr. Albert Da Zhu (朱達)
Ms. Leung Kwan Wai (梁君慧)
(Associate of The Chartered Governance Institute, Associate of The Hong Kong Chartered Governance Institute)

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STOCK CODE

6628

COMPANY WEBSITE

http://www.transcenta.com/

CEO's Statement

Dear Shareholders,

I am pleased to present the first annual report of Transcenta since we became a listed company of the Stock Exchange in September last year.

2021 was a remarkable year for China's biotech industry. Supportive policies to drive innovation over the past few years were bearing fruits. The biotech sector became an increasingly integral part of the global biopharmaceutical ecosystem. The number of major out-licensing deals with multinational firms underscores China's growing role in developing innovative drugs that will benefit patients worldwide.

Transcenta is well positioned to ride this growing trend. The leadership team of Transcenta has always aspired to build a fully integrated and globally competitive biopharmaceutical company focused on bringing differentiated antibody therapies to patients worldwide. Our journey began in 2012 with an aim to apply a breakthrough antibody discovery technology to cultivate drug candidates with differentiated profiles and strong intellectual property positions. In 2018, Transcenta successfully integrated the global discovery, research and development capabilities from Mabspace Biosciences (Suzhou) Co., Ltd. with advanced bioprocessing technologies from Just Biotherapeutics Asia Inc.. With this end-to-end capabilities, we further advanced our mission to discover, develop and deliver innovative and affordable medicines to patients around the world.

Transcenta has instilled a global vision from the very beginning. We adopted a multi-regional clinical trial (MRCT) approach from the outset. We have built a diversified and risk-balanced pipeline of therapeutic antibody candidates with best-in-class or first-in-class potentials in therapeutic areas with high unmet medical needs, including oncology, nephrology and bone diseases. To enable global registration strategy, our Chemistry, Manufacturing and Controls (CMC) processes have also been designed and developed to meet global standards.

In 2021, we made rapid progress in advancing our pipeline and business operations. We accelerated the development of our lead asset TST001, one of the two most advanced investigational humanized monoclonal antibodies targeting Claudin 18.2 globally, in multiple indications including gastric cancer and pancreatic cancer and began paving the way for its first global registration trial. We advanced three clinical stage programs including MSB0254, a VEGFR2 antibody for solid tumors, TST005, a 2nd generation PD-L1/TGFβ dual targeting molecule for PD1 refractory/resistant solid tumors and TST002, an anti-sclerostin antibody for the treatment of osteoporosis. We advanced IND-enabling programs for three candidates discovered with our proprietary antibody discovery platform, including TST003, a potential first-in-class therapeutic antibody candidate targeting cancers associated with stromal cells. Breakthrough progress has also been achieved on our proprietary integrated continuous bioprocessing platform, increasing productivity by more than tenfold when compared to conventional fed-batch process. This technology provides us with a flexible option in expanding manufacturing capacity and lowering cost of goods.

To keep enriching our pipeline with promising new therapeutic candidates over the long run, we continue to invest in building a set of differentiated early research capabilities. By elevating the role of translational science in research, we have developed a better understanding of disease biology and enabled better selection of the patient population to increase the probability of trial success.

CEO's Statement

In addition, we have made significant progress in forming partnerships to maximize the clinical and commercial potential of our assets. We recently announced the global clinical collaboration with Bristol Myers Squibb (BMS) to evaluate the combination of TST001 with Opdivo® (nivolumab), BMS' anti-PD-1 therapy, for the treatment of patients with unresectable locally advanced or metastatic gastric cancer or gastroesophageal junction cancer, a highly prevalent cancer type globally. We also made significant progress in advancing our partnership with Eli Lilly for TST002 and with Alebund Pharmaceuticals Limited for TST004, therapeutic programs for treating osteoporosis and kidney diseases respectively.

Looking ahead, we are excited about the opportunity to launch our first global registration trial for our lead asset TST001 later this year. We have moved TST001 forward with unprecedented speed. This registration trial is important to secure our position as a major player in the field of first-line treatment of gastric cancer and would provide significant commercial potential for TST001.

We will also further advance TST001 in multiple Phase Ib/IIa trials as a monotherapy and combination therapy in multiple tumor types, including the clinical study of combining TST001 with BMS's Opdivo, the standard of care for late-line and first-line gastric cancer. We look forward to proof-of-concept data readout for a few late-line Claudin18.2 over-expressing tumors including gastric and pancreatic cancers. The positive readout could potentially enable us to launch additional registration trial in Claudin18.2 positive tumor types.

Furthermore, we look forward to initiating the clinical study for TST002 directly in patients with low bone mineral density, a humanized anti-sclerostin monoclonal antibody for osteoporosis that we in-licensed from Eli Lilly and accelerating the development of this program in China by leveraging the global Phase I and Phase II clinical data. We also plan to complete the dose-escalation study for TST005, our second generation PD-L1/TGF-β bifunctional molecule and file IND for TST003, a first-in-class humanized antibody with potential applications for multiple PD1 resistant/refractory tumors.

On the business development side, we also plan to establish major global partnerships for our innovative pipeline molecules with best-in-class or first-in-class potentials such as TST001, TST003 and TST004.

Our manufacturing facility has been upgraded to support commercial manufacturing and we plan to operate at a more environmentally sustainable manner.

Finally, we plan to further expand our CDMO service to provide additional funding for our R&D activities.

The above-mentioned and other developments across our pipeline and business should make 2022 another exciting year for Transcenta and further reinforce the fundamental strengths of our business, providing important opportunities to increase our shareholder values.

The management and I are optimistic about the outlook of our business. Our experienced team, fully integrated capabilities, and differentiated yet risk-balanced pipeline are the cornerstones of our mission to discover, develop and deliver innovative and affordable medicines to help patients around the world. On behalf of Transcenta's board of directors, our management team, and our employees, I thank you for your continued support of Transcenta and the important work we do.

Dr. Xueming Qian
Executive Director and Chief Executive Officer
Transcenta Holding Limited

Hong Kong
March 21, 2022

Financial Highlights

International Financial Reporting Standards ("IFRS") Measures:

- **Revenue** decreased from RMB81.0 million for the year ended December 31, 2020 to RMB50.2 million for the year ended December 31, 2021, primarily attributable to the decrease in provision of Contract Development and Manufacturing Organization (CDMO) service to external customers in order to support the increasing needs for in-house Chemistry, Manufacturing and Controls (CMC) support for clinical trials. This is in line with the development of the business and reflects the significant progress we have made in advancing our pipeline.
- **Other income** increased by RMB21.0 million from RMB11.9 million for the year ended December 31, 2020 to RMB32.9 million for the year ended December 31, 2021, primarily attributable to an increase of government grants we recognized during the year ended December 31, 2021.
- **Other gains and losses** decreased by RMB1,226.7 million from a gain of RMB26.7 million for the year ended December 31, 2020 to a loss of RMB1,200 million for the year ended December 31, 2021, primarily attributable to losses in fair value of financial liabilities at fair value through profit or loss from the preferred shares issued by the Company.
- **Research and development expenses** increased by RMB144.1 million from RMB200.3 million for the year ended December 31, 2020 to RMB344.4 million for the year ended December 31, 2021, primarily attributable to our pipeline advancement. Such increase is in line with where we want to be as our pipeline assets progress through various clinical milestones.
- **Selling and administrative expenses** decreased by RMB12.7 million from RMB157.9 million for the year ended December 31, 2020 to RMB145.2 million for the year ended December 31, 2021, primarily attributable to the decrease of share-based payment expenses.
- As a result of the above factors, **loss and total comprehensive expenses for the year** increased by RMB1,394.3 million from RMB319.5 million for the year ended December 31, 2020 to RMB1,713.8 million for the year ended December 31, 2021, primarily attributable to losses in fair value of financial liabilities at fair value through profit or loss from the preferred shares and R&D expenditures to advance our key pipelines.

Non-International Financial Reporting Standards ("Non-IFRS") Measures:

- **Revenue** decreased from RMB81.0 million for the year ended December 31, 2020 to RMB50.2 million for the year ended December 31, 2021, primarily attributable to decrease in provision of external CDMO service to support the in-house CMC needs to advance our pipeline.
- **Research and development expenses** excluding the share-based payment expenses increased by RMB175.0 million from RMB167.5 million for the year ended December 31, 2020 to RMB342.5 million for the year ended December 31, 2021, primarily attributable to our pipeline advancement.
- **Selling and administrative expenses** excluding the share-based payment expenses increased by RMB37.7 million from RMB78.8 million for the year ended December 31, 2020 to RMB116.5 million for the year ended December 31, 2021, primarily attributable to increase in personnel cost and professional fees.
- **Adjusted loss and total comprehensive expenses for the year** excluding the effect of the fair value changes of financial liabilities at fair value through profit or loss from the preferred shares and share-based payment expenses increased by RMB239.4 million from RMB245.6 million for the year ended December 31, 2020 to RMB485.0 million for the year ended December 31, 2021, primarily due to R&D expenditures to advance our key pipelines.

Business Highlights

SUMMARY

2021 was a record year for the Company as we became a listed company and made significant progress in demonstrating our fully integrated capabilities in discovery, research, development and manufacturing of differentiated antibody therapies. Several of our development programs made rapid progress, giving us a risk-balanced pipeline with multiple assets well into clinical development. We began paving the way for our first global registration study of our lead asset. Our multi-regional clinical development strategy maximized efficiency and accelerated various development processes. We continued to shape our next wave of innovation through advancing IND-enabling programs for candidates discovered through our proprietary antibody discovery platform that have first-in-class or best-in-class potential. We expanded manufacturing capacity and further reduced cost of goods through upgrading and optimizing our manufacturing technology platform.

As of the Latest Practicable Date, a shortlist of our achievements includes the following:

Advanced our lead asset, Claudin18.2 targeting antibody TST001, in multiple indications and paving the way for first global registration study

- Advanced TST001 in multiple indications simultaneously, both globally and in China.
- Initiated a phase IIa trial for late-line gastric cancer in August 2021.
- Initiated a phase IIa trial for late-line pancreatic cancer in September 2021.
- Initiated a phase IIa trial of TST001 in combination with chemotherapy as a first-line treatment of gastric cancer with Claudin18.2 over-expression in December 2021.
- Received orphan drug designation from the U.S. FDA for the treatment of gastric cancer including esophagogastric junction cancer in July 2021.
- Generated the package for Investigational New Drug (IND) submission for a global registration trial of TST001 in gastric cancer which is expected to start in the second half of 2022 pending IND approval.
- Produced CMC data package in support of process change to significantly increase productivity and enhance process control for commercial manufacturing.
- Developed an immunohistochemistry detection assay using a proprietary anti-Claudin18.2 antibody to enable patient screening for the clinical trial.

Maximised efficiency and accelerated speed to address requirements of multiple regulatory authorities with multi-regional development strategy

- Advanced TST001 global clinical studies to enable the submission of IND for global registration trial which is to start in later 2022 – expedited the process by one year compared to our original timeline.
- Initiated a global trial for TST005 (PD-L1/TGF-β bispecific) in both the U.S. and China.
- Obtained IND approval from the NMPA for TST002 in China in September 2021 and leveraged Eli Lilly's global phase I and phase II clinical data to accelerate the development in China by directly conducting phase I trial in osteoporosis patients instead of starting in healthy volunteers.

Business Highlights

Generated candidates with superior profile and high commercial potential using proprietary antibody discovery platform

- Advanced IND-enabling programs for three candidates discovered with our proprietary antibody discovery platform, including TST003, a potentially first-in-class therapeutic antibody candidate targeting a novel immune regulatory protein produced by tumor-associated fibroblasts.
- Two of those programs (TST003 and TST004) are expected to file IND in 2022.

Established pivotal trial CMC process and upgraded manufacturing facility for commercial production of our lead assets

- Achieved breakthrough progress on integrated continuous bioprocessing technology, achieving >10-fold increase in productivity when compared to conventional fed-batch process.
- Established and scaled up TST001's intensified perfusion process to GMP commercial scale.
- Completed upgrades to our Hangzhou facility, adopting a fully automated approach and expanding our manufacturing capability to enable commercial launch of our drugs.

Raised approximately HK$553.4 million in a Listing on the Main Board of the Hong Kong Stock Exchange

- Completed listing on the Main Board of the Hong Kong Stock Exchange on September 29, 2021 with the stock code 6628, raising approximately HK$553.4 million in net proceeds.

These achievements advance our Company further into the clinical stage of its development and give us the potential to deliver material growth in 2022.

Business Highlights

For the year ended December 31, 2021 and as of the Latest Practicable Date, significant progress has been made with respect to our product pipeline and business operations:

SIGNIFICANT PROGRESS ACHIEVED IN CLINICAL DEVELOPMENT

Wholly-owned global programs

TST001 (A Humanized Claudin18.2 mAb for Solid Tumors) – the first Claudin18.2 drug candidate developed by a Chinese company has been in Phase II development and to enter Phase III clinical trials and to be developed concurrently in multiple global markets, including in China, the United States, Europe, and other countries of Asia.

- Initiated a phase IIa trial for late-line gastric cancer in August 2021.
- Initiated a phase IIa trial for late-line pancreatic cancer in September 2021.
- Initiated a Phase IIa trial of TST001 in combination with chemotherapy as a first-line treatment of gastric cancer with Claudin18.2 over-expression in December 2021.
- Initiated a Phase I trial of TST001 in combination with chemotherapy as a second-line treatment of gastric cancer and dosed multiple patients in May 2021.
- Received orphan drug designation from the U.S. FDA for the treatment of gastric cancer including esophagogastric junction cancer in July 2021.
- Completed the single agent Phase Ia dose-escalation trial in solid tumors for TST001 in China in August 2021.
- Funded an investigator-initiated study in advanced biliary tract cancer, which was approved by the Institutional Review Board (IRB) of the study site in November 2021.

TST005 (A PD-L1/TGF-β Bi-functional Antibody Candidate for Solid Tumors)

- Initiated a global Phase I trial in the United States for solid tumors in July 2021.
- Obtained IND approval in China in December 2021.
- Presented and highlighted the differentiated compound profile of TST005 at the 2021 AACR annual meeting.

TST003 (A First in Class Humanized Antibody Candidate for PD1 Resistant Tumors)

- Initiated IND-enabling studies and completed GLP tox in-life studies.

TST010 (T regulatory cell depleting mAb to target immune checkpoint inhibitor resistance)

- Initiated IND-enabling studies in December 2021.

Business Highlights

Collaboration Programs

TST002 (Blosozumab) (A Humanized Sclerostin mAb for Osteoporosis) – in collaboration with Eli Lilly and Company ("Eli Lilly")

- Obtained IND approval from the NMPA in China in September 2021 and the phase I study was approved by the IRB of the leading study site.

TST004 (A Humanized MASP-2 mAb Candidate for Kidney Diseases including IgA nephropathy) – in partnership with Alebund Pharmaceuticals

- Completed process development and GMP material productions.
- Initiated GLP tox studies which is currently ongoing.

Elevated Manufacturing Capabilities

- Achieved industry best productivity of over 6 g/L-day through our Integrated Continuous Bioprocessing (ICB) platform, which corresponds to >15-fold increase in productivity when compared to conventional fed-batch process.
- Scaled up lead asset TST001's intensified perfusion process to GMP commercial scale.
- In collaboration with Merck, completed design and fabrication of industry's first automated and single use flow-through polishing continuous downstream GMP equipment, which will significantly intensify downstream operations and debottleneck manufacturing output.
- Upgraded Hangzhou facility for commercial launch.

Other Corporate Milestones

- Completed listing on the Main Board of the Hong Kong Stock Exchange and raised approximately HK$553.4 million in net proceeds.
- Received RMB6.0 million milestone payment from Alebund Pharmaceuticals for co-development agreement on TST004.

Management Discussion and Analysis

OVERVIEW

We are a clinical stage biopharmaceutical company with fully integrated capacities in discovery, research, development, and manufacturing of differentiated antibody therapies for cancer, bone disorders and nephrology.

We adopt a multi-regional development strategy to maximize operational efficiency and address requirements of multiple regulatory authorities. This has also given us a first-mover advantage for several of our development programs, in particular we are a global leader in the emerging Claudin18.2 targeting therapeutic field with potential applications to multiple types of solid tumors including gastric and pancreatic cancers. Our proprietary antibody discovery platform, the Immune Tolerance Breaking ("IMTB") technology platform, enables us to generate antibodies that are challenging to discover by using conventional platforms, and also allows us to select candidate molecules with enhanced druggability attributes for which we hold global intellectual property rights.

We have built a diversified and risk-balanced pipeline of antibodies with best-in-class or first-in-class potential in therapeutic areas with high unmet medical needs, including oncology, nephrology and bone diseases. As of December 31, 2021, we have discovered and developed nine of ten antibody candidates in-house. We are also developing a number of early-stage biotherapeutic candidates with high therapeutic potential.

All our molecules currently in development have a comprehensive translational research strategy to realize their full clinical and commercial potential. By elevating the role of translational science, we have better understanding of disease biology and better selection of the right patient population to increase the probability of trial success. We have established fully integrated CMC capabilities to support both IND and Biologics License Application (BLA) filing. In addition, we have made significant progress in partnerships for our products, and will continue to expand our strategic partnerships with global and local biopharmaceutical companies as well as academic research institutions.

Management Discussion and Analysis

Product Pipeline

We have established a pipeline of ten innovative molecules in oncology, bone disorders and nephrology. Most of these molecules are discovered and developed in house with one pipeline candidate acquired through in-licensing. The following chart summarizes drug candidates that are currently under development in China and worldwide across various therapeutic areas as of the Latest Practicable Date:

Source: Company

Abbreviations: PD-L1=Programmed death-ligand 1; VEGFR2=Vascular endothelial growth factor receptor 2; TGFβ=Transforming growth factor beta; MASP2=Mannan-binding lectin serine protease 2; IND=Investigational new drug; FIC=First in class; HPV=Epstein-Barr Virus; BMP Antagonist=Bone morphogenetic protein Antagonist; TACI=transmembrane activator and CAML interactor; CAML=calcium-modulator and cyclophilin ligand; NSCLC=Non-small cell lung cancer; SLE=Systemic lupus erythematosus; TMA=Thrombotic microangiopathy; IgA nephropathy=Immunoglobulin A nephropathy; Combo=Combination; Chemo=Chemotherapy; VEGFRi=Vascular endothelial growth factor receptor 2 inhibitor

(1) Solid tumors in the "Indications" column include all the tumor types other than hematologic malignancies. The particular tumor types as indications for each product depends on the mechanism of action of the corresponding drug candidate and emerging or established pre-clinical/clinical evidences. See the subsections headed "Clinical Development Plan" for each of our drug candidates in "Business" section of the Prospectus for the specific tumor types targeted for clinical development.

(2) Global in the "Clinical trial region" column represents Asia (including China), United States, European Union and Oceania.

Management Discussion and Analysis

BUSINESS REVIEW

We adopted a global Multi-Regional Development Strategy to maximize opportunities for operational efficiency. We simultaneously leverage the efficient regulatory approval pathway in the United States so as to accelerate IND applications and early-phase clinical trials while also taking advantage of the large patient population in China to expedite clinical trials in indications with significant unmet medical needs. We design the trials that allow clinical data from each trial to be used for pooled analysis and for the use of supporting registration, including in China, the United States and other countries in Asia and Europe. In addition, clinical data from multi-regional clinical trials will enable future indication expansion for the drug(s) investigated. We keep the core clinical development functions in-house, including clinical trial design, planning and management, while utilizing contract research organizations (CROs) for trial execution. Our global clinical development and regulatory teams, based in Beijing, Shanghai and Princeton, New Jersey, have extensive knowledge and experience in designing and executing global clinical trials at all stages in indications with high unmet medical needs.

During 2021, we have made significant progress with our pipeline assets in both oncology and non-oncology therapeutic areas at multiple clinical stages and IND stages, including the following milestones and achievements:

Oncology Program

Our oncology pipeline includes multiple innovative and differentiated biologic molecules targeting major cancer pathways which have potential synergistic mechanisms of actions (MOA) for tumor indications with high unmet medical needs. This includes:

- TST001, currently at Phase II development in multiple solid tumor indications including but not limited to gastric and pancreatic cancers, is a humanized antibody targeting Claudin18.2, a well validated tumor associated antigen both clinically and commercially.
- TST005 is a bifunctional humanized antibody targeting PD1/PD-L1-TGF-β pathway, a key MOA for PD1 resistance.
- TST003 is a global first-in-class humanized antibody currently in IND-enabling stage, targeting cancer associated stromal cells, which are key source of immunosuppressive factors.
- TST010, a newly nominated preclinical antibody candidate entering IND-enabling stage, targeting regulatory T cells to enhance T cell mediated tumor killing.

Our programs (TST005, TST003 and TST010) are highly synergistic with TST001 for gastrointestinal cancers and are designed to enhance Claudin18.2 franchise through combination with TST001.

Management Discussion and Analysis

TST001 (A Humanized Claudin18.2 mAb for Solid Tumors)

TST001, one of the key products in our oncology pipeline, is a high-affinity humanized antibody specifically targeting Claudin18.2, which is over-expressed in multiple tumor type cancers, including gastric/gastroesophageal junction cancer, pancreatic cancer, and other types of solid tumors.

TST001 is in development concurrently in global markets, including in China, the United States, Europe, and other countries of Asia. It is currently in Phase II of the development and is expected to enter Phase III clinical trials in later 2022.

We have made significant progress in 2021 in advancing the clinical development for TST001, ranked among the top two most advanced clinical programs for Claudin18.2 globally, and the first in China.

- In April 2021, we initiated a Phase I trial of TST001 in combination with chemotherapy as a first-line treatment of gastric cancer to establish the safety and tolerability of this combination. Later in December 2021, we initiated the expansion of cohort (Phase IIa).
- In May 2021, we also started a Phase I trial of TST001 in combination with chemotherapy as a second-line treatment of gastric cancer.
- In August 2021, we initiated phase IIa study of TST001 monotherapy in late-line gastric cancer.
- In September 2021, we initiated phase IIa study of TST001 monotherapy in late-line pancreatic cancer.
- In November 2021, we funded an investigator-initiated study of TST001 in advanced biliary tract cancer, which was approved by ethical committee of the study site.
- We also established multiple academic collaborations for TST001:
    - We collaborated with Beijing Cancer Hospital to explore real time TST001 drug distribution and target engagement in cancer patients by using both ^{124}I radio-labeled drug tracer and 18F FDG tumor tracer to non-invasively image the drug distribution in patients by PET/CT/MRI.
    - We also worked with Beijing Cancer Hospital to study the prevalence of Claudin18.2 and co-expression pattern with other therapeutic targets in gastrointestinal cancer.
    - Our collaboration with Shanghai Zhongshan Hospital led to promising results validating Claudin18.2 as an important target in biliary tract cancer (BTC) and the initiation of an investigator-initiated trial of TST001 in BTC.
    - We also initiated collaboration with the Dana-Farber Cancer Institute of Harvard Medical School for TST001 efficacy in patient derived tumor xenograft (PDX) mouse models.
    - We conducted the combination treatment studies with standard chemotherapies and TST001 in multiple PDX mouse models. The result demonstrated the synergistic effects of the combination treatment, providing the preclinical evidence for potential combination treatment benefits in patients.
- We have developed a specific detection antibody for Claudin18.2 immunohistochemistry detection to enable patient screening for TST001 clinical trials. We evaluated various testing platforms for validating the assay for patient screening. This antibody is being further co-developed with a global company experienced in companion diagnostics (CDx) development.

Management Discussion and Analysis

- We have developed an optimized intensified continuous perfusion and downstream process in support of future clinical studies and commercial launch. This process maintained product comparability while increased process output by approximately 10 folds when compared to Phase I fed-batch process for early clinical trial material supply. We have scaled up this process in T-BLOC, our GMP manufacturing facility. The registration trial material has been produced using this process to support the start of Phase III trial in gastric cancer in second half of 2022. We have produced required data package in support of regulatory submission to NMPA and FDA for the process change.

TST005 (A PD-L1/TGF-β Bi-functional Antibody Candidate for Solid Tumors)

- One of our key oncology products TST005, a bi-functional antibody designed to simultaneously target two immunosuppressive pathways, transforming growth factor-β (TGF-β) and programmed cell death ligand-1 (PD-L1), that are commonly used by cancer cells to evade the immune system, entered the clinical development in 2021.
- We filed an IND application for TST005 with the FDA in March 2021 and obtained IND clearance from the FDA in April 2021 for initiating Phase I clinical trial of TST005 in the United States.
- In July 2021, the first patient of the global Phase I trial of TST005 in the United States was enrolled.
- We also filed an IND application for TST005 with the NMPA of China in September 2021 and obtained Phase I study approval in China in December 2021.
- We presented at 2021 AACR annual meeting and highlighted our differentiated profile.
- We collaborated with Shanghai Pulmonary Hospital affiliated with Tongji University to study the mechanism of primary/acquired resistance to immune-therapy in non-small cell lung cancer (NSCLC) using single cell sequencing platform.
- We have established a perfusion-based process for the production of TST005 for clinical supply. The CMC package was accepted by both FDA and NMPA.

TST003 (A First in Class Humanized Antibody Candidate for PD1 Resistant Tumors)

- TST003 is a high affinity humanized monoclonal antibody targeting a regulatory protein that is highly expressed by stromal cells in diverse human carcinomas, especially in esophageal cancer, pancreatic cancer, gastric cancer, colon cancer, lung cancer, breast cancer and prostate cancer, among others. TST003 has demonstrated significant anti-tumor activities both in vitro and in vivo in preclinical studies. TST003 has the potential to become a novel cancer treatment, either as monotherapy or in combination with immune checkpoint inhibitor and/or other anti-tumor agents.
- TST003 is currently in IND-enabling stage with ongoing preclinical studies.
- We implemented a perfusion process and have produced GMP drug substance (DS) and drug product (DP) for clinical trial supply.

Management Discussion and Analysis

MSB0254 (A Humanized VEGFR2 mAb Candidate for Solid Tumors)

- MSB0254 is a high affinity humanized antibody against VEGFR2, with an anti-tumor mechanism of action by inhibiting tumor angiogenesis.
- As of March 2021, Ramucirumab of Eli Lilly is the only VEGFR2 antibody drug approved by the FDA in the United States with indications including monotherapy or combination treatment with chemotherapy for gastric cancer, second line treatment of metastatic colorectal cancer, hepatocellular carcinoma and first-line treatment for metastatic EGFR-mutated NSCLC. In March 2022, China NMPA has approved Ramucirumab in combination with Taxol for the treatment of patients with gastric/gastroesophageal junction cancer progressed during or after first line chemotherapy.
- We completed phase Ia dose escalation study and determined the recommended phase II dose in October 2021. In November 2021, expansion cohorts were initiated in selected tumor types.
- Results of phase Ia trial of MSB0254 was reported at the Chinese Society of Clinical Oncology (CSCO) 2021.

MSB2311 (A Humanized PD-L1 mAb Candidate for Solid Tumors)

- MSB2311, is a second-generation PD-L1 inhibitor with unique pH dependent PD-L1 binding property, an important differentiation from other PD-(L)1 antibodies.
- Encouraging clinical activities has been obtained for Phase I trial results of MSB2311 and the data were reported at the American Society of Clinical Oncology (ASCO) and the CSCO 2021.
- The IND of MSB2311 and MSB0254 combination therapy was formally accepted by the NMPA in November 2021.

TST006

- TST006 is a bi-specific antibody targeting Claudin18.2 and PD-L1, which has the potential for the treatment of Claudin18.2-expressing cancer patients who are resistant to or refractory from Claudin18.2 mAb or PD-1/PD-L1 mAb therapies, such as late-line gastric cancer patients, pancreatic cancer patients and others.
- We nominated the final pre-clinical candidate (PCC) in 2021, which demonstrated a good in vivo antitumor activity and CMC developability.

TST010 (T regulatory cell depleting mAb)

- Tumor-infiltrating regulatory T cells (Tregs) function to suppress T effectors, and its presence was reported to correlate with tumor progression and a worsening prognosis in many cancers.
- In December 2021, we advanced a new pre-clinical candidate TST010 in our oncology pipeline, with a MOA of Treg cell depletion to target checkpoint inhibitor resistance.
- TST010 displayed potent and selective Treg depleting activity and can liberate T effectors in tumor microenvironment to induce immune mediated killing of cancer cells in preclinical tumor models.

Management Discussion and Analysis

Non-oncology Program

Our highly differentiated non-oncology pipelines focus on novel indications with high unmet medical needs in bone and kidney diseases (TST002, TST004, and TST008). This strategy allows us to be an important player in a field facing less competition and reach high market potentials. We have developed partnerships to leverage our core expertise and knowledge in these disease areas. We have leveraged Eli Lilly's global phase I and phase II clinical data to accelerate TST002's development in China by directly conducting phase I trial in osteoporosis patients instead of starting in healthy volunteers. In addition to developing TST002 and TST004 in fast-to-market indications, we are also expanding TST002 and TST004 in additional indications with blockbuster potentials and to form partnerships to accelerate the product development. To further expand our current pipeline in IgA nephropathy, we are also developing preclinical candidate with first-in-class tri-functional antibody targeting systemic lupus erythematosus (SLE), a disease with a large patient population yet very limited treatment options.

TST002 (Blosozumab) (A Humanized Sclerostin mAb for Osteoporosis)

- TST002, one of our key products, is a humanized monoclonal antibody with neutralizing activity against sclerostin for which we in-licensed the Great China rights from Eli Lilly. TST002 (Blosozumab) has completed phase II trials by Eli Lilly in postmenopausal women in the United States and Japan, and has shown an ability to induce statistically significant dose-dependent increases in spine, femoral neck, and total hip bone mineral density (BMD) as compared with placebo. In the highest dose group, TST002 treatment increased BMD by 17.7% at the spine, and 6.2% at the total hip from baseline within 12 months.
- In June 2021, we submitted an IND application for TST002 for postmenopausal osteoporosis in China to NMPA.
- In September 2021, we received IND approval from the NMPA.
- In November 2021, the TST002 phase I study was approved by the IRB of the leading study site.

TST004 (A Humanized MASP-2 mAb Candidate for Kidney Diseases)

- TST004, one of our key products, is a humanized mAb targeting mannan-binding lectin serine protease 2 (MASP2) and designed to prevent the inflammation and tissue damage mediated by lectin pathway complement activation.
- TST004 is currently at IND-enabling stage with GLP toxicology studies and CMC studies ongoing.
- We developed a SubQ formulation for enhancing IgA nephropathy patient compliance.

TST008 (A Tri-functional Antibody Combining a MASP2 Antibody)

- Lupus is a complex autoimmune disease involving both innate and adaptive immune systems. Current targeted biological therapies for SLE only address the adaptive immune by targeting B-cell. In addition to B-cell, the complement system also plays a major role in SLE disease progression.
- TST008 is a first-in-class tri-functional antibody combining a MASP2 antibody fused with a transmembrane activator and CAML interactor (TACI) protein, which simultaneously targets both innate and adaptive immune pathways for a potentially better efficacy for the treatment of SLE.
- TST008 is currently at preclinical stage.

Cautionary Statement required by Rule 18A.08(3) of the Listing Rules: The Company cannot guarantee that it will be able to develop, or ultimately market, any of the above drug candidates successfully. Shareholders and potential investors of the Company are advised to exercise due care when dealing in the shares of the Company.

Management Discussion and Analysis

Research and Early Development Efforts

We are dedicated to the discovery and development of differentiated and competitive biologics. Our proprietary antibody discovery platform, Immune Tolerance Breaking (IMTB) technology platform, enables us to generate antibodies with diverse epitopes. With the platform, we have a greater probability of producing mAbs, including those that cannot be generated by other platforms. Our Research and CMC teams have also established and optimized several bispecific antibody platforms with plug-and-play potentials to provide solutions to target disease biology complexity and address unmet patient needs.

We take a risk-balanced approach in our R&D efforts, aiming to shape an innovative and risk-balanced drug pipeline covering both oncology and non-oncology disease areas, and such efforts bore fruits in the past year. In 2021, we initiated two IND-enabling programs (TST003 in oncology and TST004 in kidney diseases); advanced a new pre-clinical candidate TST010 to IND-enabling studies in our oncology pipeline, with a MOA of Treg cell depletion to target CPI resistance; and launched several new targets in our early research and discovery pipeline. These targeted programs could provide additional treatment options for gastrointestinal cancer and lung cancer with either monoclonal antibody modality and/or antibody-drug conjugate modality.

Strategic Partnership to Advance Pipeline

Partnerships and collaborations play an important role in maximizing the clinical and commercial potential of our assets.

Our existing partnerships include a co-development and commercialization agreement with Eli Lilly for TST002 in Greater China, a joint-venture with Alebund Pharmaceuticals for TST004, and multiple research collaborations with prominent academic institutions around the world. In addition, we have a technology collaboration with Merck to increase operational efficiency and productivity of our downstream process.

By leveraging our advantage in owning the global rights of our assets and generating clinical data from studies inside and outside of China, we made significant progress in advancing partnership discussions for some of our key products. These include clinical and/or commercial partnership opportunities with multinational pharmaceutical companies.

Details of our existing partnerships are shown below.

TST002

We entered into a license agreement with Eli Lilly to in-license LY-2541546 (Blosozumab), LY-3108653 and LY-2950913 (each a "Licensed Compound") for an exclusive, royalty bearing license for the development, use or commercialization and manufacturing Licensed Compound in Greater China regions including the PRC, Hong Kong, Macau and Taiwan in March 2019.

We successfully completed technology transfer, established manufacturing process for Blosozumab (internal project code TST002) in our own manufacturing facility, and completed GMP production for clinical use and all the additional preclinical studies as required by the CDE for TST002 IND application in China. We received IND Clearance from NMPA on September 22, 2021. Currently, the TST002 phase I study was approved by the IRB of the leading study site.

Management Discussion and Analysis

TST004

We entered into a collaboration and licensing agreement with Shanghai Alebund Pharmaceuticals Limited ("Alebund Pharmaceuticals"), pursuant to which we and Alebund Pharmaceuticals will establish a joint venture to carry out pre-clinical research and conduct clinical trials regarding TST004 in Greater China region in December 2020.

Currently, we have completed GMP material productions and in vitro/in vivo product characterization studies, as well as non-GLP tox studies. GLP tox studies and pharmacology studies are currently ongoing.

Translational Research Collaborations

We also entered multiple research collaborations with prominent academic institutions around world, including the Dana-Farber Cancer Institute of Harvard Medical School, Beijing Cancer Hospital, Shanghai Pulmonary Hospital and Jiaotong University.

Technology Partnership

To significantly increase operational efficiency and productivity of our downstream process, we entered into a multi-year technology collaborative agreement with Merck (June 29, 2020), one of the leading technology providers in the biotech industry, to co-develop an automated single use continuous downstream technology in June 2020. Upon integration of our highly productive continuous perfusion platform with this novel downstream technology, it will debottleneck GMP manufacturing, maximize facility output and further reduce cost of goods, and allow us to establish global leadership position in biomanufacturing platform for protein therapeutics.

Upgrade Manufacturing Technology and Expand Capacity

Our modular GMP facility offers high flexibility and scalability, and our proprietary integrated continuous bioprocessing platform allows us to maximize facility output while lowering the cost of goods by up to 50%. It does not only help us to better address the pricing pressure but also accelerates drug development and future commercialization of complex biologics.

We have scaled up manufacturing capacity to address near-term increase in production demand, and achieved breakthrough progress on integrated continuous bioprocessing technology to increase productivity by >10-fold when compared to conventional fed-batch process. We have further improved cost efficiency through locally sourcing critical materials and key equipment in manufacturing.

- ***Capacity Expansion***

  In anticipation of near-term increase in production demand, we have added GMP fill and finish (F/F) line to increase output. Our Hangzhou facility now has the capacity to support the potential commercial launch of our lead assets such as TST001.

Management Discussion and Analysis

- ***Upgrading Technology Platform***

  Our novel biomanufacturing platform called Integrated Continuous Bioprocessing (ICB) maximizes facility output and significantly lowers cost of goods. ICB leverages the power of ultra-high cell density continuous perfusion process and our proprietary cell culture media to integrate with automated and intensified continuous downstream technology that we are codeveloping with Merck. In addition, the smaller scale operations of ICB eliminates the need for risky large commercial process scale up.

  In 2021, we achieved significant progress in ICB platform development and implementation:

  - Demonstrated industry-leading volumetric productivity of over 6 g/L-day, corresponding to over 15-fold increase in productivity when compared to same cell line in conventional fed-batch process.
  - Implemented a continuous upstream perfusion process into GMP manufacturing for TST005, TST001 and TST003.
  - Completed design and fabrication of industry's first automated flow-through polishing continuous downstream equipment and single-use flexware that we are co-developing with Merck.

- ***Cost Saving Through Localization***

  We are further evaluating options for raw materials sourcing in order to reduce our cost of goods. In 2021, we initiated efforts in localization of critical materials and key equipment in manufacturing and made significant progress in cost savings.

- ***CDMO Services***

  Leveraging our state-of-the-art manufacturing platform, we provided CDMO services to our customers and generated revenue to support R&D expenditures. We had 17 independent third-party customers during the year ended December 31, 2021. The services we provide mainly include process development, GMP production, cell line development, sample testing, formulation optimization, and drug developability evaluation. Our services have led to four IND approvals in 2021 for our customers, including two in China and two in the United States.

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

COVID-19 has not resulted in material negative impacts on our business operations or financial performance during the year ended December 31, 2021. The Company, following government mandates, has encountered some difficulty in the supply of raw materials and clinical samples and managed to complete all the work with no impact to the clinical and regulatory timeline. This is partly made possible by ongoing efforts to localize high-risk materials, consumables and equipment used in product manufacturing early on. The management of the Company currently does not foresee significant disruption in the ongoing trials or delays in the initiation of new clinical trials due to COVID-19 going forward. We are committed to minimizing the impact and continue to execute on our business goals globally despite the uncertainty of the pandemic.

Management Discussion and Analysis

EVENTS AFTER THE REPORTING PERIOD

Pipeline Programs:

- TST001 U.S. Phase I trial abstract was presented as a Trial in Progress poster at the 2022 American Society of Clinical Oncology Gastrointestinal Cancers Symposium from January 20 to January 22, 2022 in San Francisco, CA. In the dose escalation phase, patients without preselection of tumor Claudin18.2 expression were given increasing doses of TST001 intravenously every two weeks (Q2W) or three weeks (Q3W) using a 3+3 design. TST001 single agent will be further evaluated for the safety and efficacy in the expansion cohorts of patients with gastric cancer or pancreatic cancer/biliary tract cancer with Claudin18.2 over-expression. TST001 in combination with nivolumab will also be further investigated in gastric cancer patient.
- First patient was enrolled and dosed in January 2022 in an Investigator Initiated TST001 Phase II trial in biliary tract cancer at the Fudan Zhongshan Hospital.
- First patient was enrolled and dosed in February 2022 in a Phase Ib/IIa trial of TST001 in combination with chemotherapy in first-line biliary tract cancer.
- We presented a poster of the TST001 China Phase I trial dose-escalation part data at the International Gastric Cancer Congress 2022 from March 6 to March 9, 2022 in Houston, TX. In the dose escalation phase, patients without preselection of tumor Claudin18.2 expression were given increasing doses of TST001 intravenously every three weeks (Q3W) using a 3+3 design. As of November 23, 2021, 11 patients had been treated at the dose levels of 3, 6, and 10 mg/kg Q3W, respectively. Nine patients were dose limiting toxicities (DLT) evaluable with no DLT reported and maximum tolerated dose (MTD) has not been reached. TST001 demonstrated a manageable and tolerable safety profile in patients with advanced solid tumors and preliminary anti-tumor activity in heavily pretreated gastric and pancreatic cancer patients expressing Claudin18.2.
- Completed TST001 data package and regulatory documentation in support of late phase manufacturing process change; amendment was filed to CDE in January 2022.
- TST002 Phase I study was approved by the Human Genetic Resources Administration of China (HGRAC) in January 2022.
- Initiated TST010 IND-enabling studies and CMC process development in January 2022.

Global Collaboration:

- Established a global clinical collaboration with Bristol Myers Squibb to evaluate the combination of TST001 with Opdivo® (nivolumab), Bristol Myers Squibb's anti-PD-1 therapy, for the treatment of patients with unresectable locally advanced or metastatic gastric cancer or gastroesophageal junction cancer (GC/GEJ) in March 2022. The collaboration includes two global phase I/II open-label, multi-center studies, including the U.S. and China.

Technology Advancement:

- Completed site acceptance test and IQ/OQ of industry's first automated flow-through polishing continuous downstream equipment at T-BLOC.

Management Discussion and Analysis

Save as disclosed above, the Group has had no material event since the end of the Reporting Period and up to the Latest Practicable Date.

FUTURE OUTLOOK

2022 is set to be a transformational year for us. We expect to begin our first global registration trial for TST001 and achieve strong progress across our pipeline and business operations. A detailed breakdown of expected developments for the rest of 2022 is as follows:

Clinical Developments

TST001 (Claudin18.2):

- Plan to initiate a global registration trial in Claudin18.2 over-expressing gastric cancers in the second half of 2022, pending IND approval.
- Further advance multiple Phase Ib/IIa trials as monotherapy and combination therapy in multiple tumor types including gastric cancer, pancreatic and biliary tract cancer, and expect to obtain interim results from some of these trials in 2022.
- Initiate phase Ib/IIa trials of TST001 in combination with PD1 inhibitor in both first-line and late-line gastric cancer.
- Anticipate positive responses from the NMPA and FDA for TST001 process change and start BLA filing enabling CMC work.

TST005 (PD-L1/TGF-β bispecific): Complete TST005 Phase Ia dose escalation in the United States and China by year end.

TST002: Initiate Phase I study in osteoporosis patients.

TST003: File IND in the United States and China and plan to initiate clinical study.

TST004: File IND for TST004 with subcutaneous formulation, a potential novel treatment option for Thrombotic microangiopathy (TMA) and IgA nephropathy.

TST010: Initiate IND-enabling study for TST010, a novel agent for enhancing immune checkpoint therapy by depleting Tregs.

Management Discussion and Analysis

Potential Partnerships

- We are having continuing discussions with potential partners to maximize the value of our assets and generate additional cash flow. In the near-term, we will focus on establishing partnerships for TST001, TST002, and TST004.
- We will continue to identify, evaluate and build new technology platforms that can expand our existing antibody discovery capabilities through external collaboration and partnership.

Manufacturing Developments

- The industry's first automated flow-through polishing continuous downstream technology co-developed with Merck will be fully qualified and put into GMP operation.
- We will continue to develop our CDMO business to fully utilize our manufacturing capacities and to generate income to offset our R&D expenditures.

Outlook beyond 2022

The next three to five years will be an inflection point for us. We aim to launch our first product within this timeframe and rapidly advance our pipeline molecules. In addition, we aim to expand our pipeline by having one new drug candidate entering clinical trials each year.

We will continue to develop and implement cutting-edge technology to maximize productivity and lower cost of goods to ensure we maintain a healthy margin.

We will continue to explore partnerships to expedite the global development and commercialization of our drug candidates.

We believe that focusing on these aspects of our business will allow us to unlock the full potential of our portfolio and drive long-term value creation as we strive towards our vision of employing cutting-edge technology to help patients with differentiated and competitive biologics.

Management Discussion and Analysis

FINANCIAL REVIEW

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

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Revenue	**50,242**	80,980
Cost of sales	**(40,874)**	(62,778)
Gross profit	**9,368**	18,202
Other income	**32,906**	11,944
Other gains and losses, net	**(1,199,972)**	26,745
Research and development expenses	**(344,370)**	(200,312)
Selling and Administrative expenses	**(145,215)**	(157,949)
Listing expenses	**(48,605)**	(5,570)
Impairment losses under expected credit loss model	**(1,641)**	–
Share of loss of a joint venture	**(2,952)**	–
Finance costs	**(15,167)**	(16,070)
Loss before tax	**(1,715,648)**	(323,010)
Income tax credit	**105**	110
Loss for the year	**(1,715,543)**	(322,900)
Other comprehensive income for the year		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of a foreign operation	**1,751**	3,359
Loss and total comprehensive expenses for the year	**(1,713,792)**	(319,541)
Non-IFRS measure (Note)**:**		
Add: Adjusted for share-based compensation expenses and fair value (loss)/gain of financial liabilities at FVTPL	**1,228,751**	73,943
Adjusted loss and total comprehensive expenses for the year	**(485,041)**	245,598

Note: See section below headed "FINANCIAL INFORMATION – Non-IFRS Measure" for the details of the non-IFRS measure adjustments.

Management Discussion and Analysis

Selected Data from Statement of Financial Position

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
	(Audited)	(Audited)
Non-current assets	**1,149,353**	1,199,467
Current assets	**1,395,602**	891,457
Total assets	**2,544,955**	2,090,924
Current liabilities	**425,810**	194,537
Non-current liabilities	**153,576**	2,712,632
Total liabilities	**579,386**	2,907,169
Net current assets	**969,792**	696,920

1. Revenue

For the year ended December 31, 2021, the Group generated revenue from (i) provision of CDMO services; and (ii) research and development services. The following table sets forth the components of the revenue from contracts with customers for the year indicated.

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
CDMO services	**44,200**	80,980
Research and development services	**6,042**	–
	50,242	80,980

2. Other Income

Other income consists of bank interest income, promissory note interest income and government grants. Government grants represent 1) various subsidies granted by the PRC local government authorities to our subsidiaries as incentives for our research and development activities, which are recognized when payments were received; and 2) amortisation of subsidies received from the PRC local government authorities to subsidize the purchase of the Group's property, plant and equipment.

For the year ended December 31, 2021, other income of our Group increased by RMB21.0 million, from RMB11.9 million for the year ended December 31, 2020. The increase was primarily due to an increase of government grants we recognized during the year ended December 31, 2021.

Management Discussion and Analysis

3. Other Gains and Losses, Net

Other net gains and losses changed from a gain of RMB26.7 million for the year ended December 31, 2020 to losses of RMB1,200 million for the year ended December 31, 2021. The changes were primarily due to losses in fair value of financial liabilities at fair value through profit or loss from the preferred shares issued by the Company.

4. Research and Development Expenses

Research and development expenses primarily consist of pre-clinical expenses including testing fee and pre-clinical trial expenses, staff cost for our research and development personnel, clinical expenses including testing fee and clinical trial expenses, materials consumed for research and development of our drug candidates, depreciation and amortization expenses and others.

The research and development expenses increased by RMB144.1 million from RMB200.3 million for the year ended December 31, 2020 to RMB344.4 million for the year ended December 31, 2021, primarily due to 1) the increase in pre-clinical expenses and clinical expenses with the progress of research and development activities of our pipelines; and 2) the increase in staff costs accompanied with the expansion of our research and development department.

The following table sets forth the components of the Group's research and development expenses for the year indicated.

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Clinical expenses	**134,654**	78,701
Staff cost	**94,326**	87,892
Materials consumed	**64,460**	13,982
Depreciation and amortization expenses	**29,488**	14,977
Others	**21,442**	4,760
Total	**344,370**	200,312

Management Discussion and Analysis

5. *Selling and Administrative Expenses*

The selling and administrative expenses decreased by RMB12.7 million from RMB157.9 million for the year ended December 31, 2020 to RMB145.2 million for the year ended December 31, 2021, primarily attributable to the decrease of share-based payment expenses.

Our selling expenses primarily consist of personnel cost, travel, depreciation and amortization and others. Our administrative expenses consist primarily of salaries and related benefits costs for our administrative personnel, professional fees for services provided by professional institutions, depreciation and amortization expenses, office expenses for our daily operation, traveling and transportation expenses, and others.

The following table sets forth the components of the Group's selling and administrative expenses for the year indicated.

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Salaries and related benefits costs	**87,754**	116,492
Professional fees	**17,902**	13,926
Depreciation and amortization expenses	**16,290**	15,234
Office expenses	**13,888**	5,799
Traveling and transportation expenses	**3,734**	1,887
Others	**5,647**	4,611
Total	**145,215**	157,949

Management Discussion and Analysis

6. Trade and Other Receivables

	At December 31,	
	2021	2020
	RMB'000	RMB'000
Trade receivables	**2,565**	16,351
Less: Allowance for credit losses	**–**	–
	2,565	16,351
Other receivables:		
Promissory note receivables (note)	**8,465**	10,085
Interest receivable	**–**	231
Prepayments for:		
Research and development services	**24,207**	6,106
Legal and professional services	**1,063**	1,034
Purchase of raw materials	**3,356**	5,021
Deferred issue costs	**–**	1,764
Refundable rental deposits	**1,316**	587
Others	**3,724**	541
	44,696	41,720

The trade and other receivables increased by RMB3.0 million from RMB41.7 million as of December 31, 2020 to RMB44.7 million as of December 31, 2021, primarily due to the increase of payments in research and development services with the progress of our pipeline development.

Management Discussion and Analysis

7. Trade and Other Payables

	At December 31,	
	2021	2020
	RMB'000	RMB'000
Trade payables	**31,430**	34,448
Other payables:		
Purchase of property, plant and equipment	**2,856**	10,892
Transaction cost for issuance of Preferred Shares	**–**	7,019
Legal and professional fee	**3,435**	6,551
Listing expenses and issue costs	**–**	4,946
Others	**3,440**	1,635
Interest payables	**462**	–
Other tax payables	**949**	5,165
Accrued research and development expenses	**36,100**	–
Accrued staff costs and benefits	**22,389**	15,853
Other accruals	**903**	2,181
	101,964	88,690

The trade and other payable increased by RMB13.3 million from RMB88.7 million as of December 31, 2020 to RMB102.0 million as of December 31, 2021, primarily due to the increase of payable for research and development services with the progress of our pipeline development.

Management Discussion and Analysis

LISTING EXPENSES

Our listing expenses was RMB5.6 million for the year ended December 31, 2020 and RMB48.6 million for the year ended December 31, 2021 with the progress of our initial public offering.

OTHER COMPREHENSIVE INCOME

Our other comprehensive income decreased from RMB3.4 million for year ended December 31, 2020 to RMB1.8 million for year ended December 31, 2021.

NON-IFRS MEASURE

To supplement the Group's consolidated financial statements, which are presented in accordance with the IFRS, the Company also uses adjusted loss and total comprehensive expenses for the year and other adjusted figures as additional financial measures, which are not required by, or presented in accordance with, the IFRS. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, the Group's results of operations or financial condition as reported under IFRS. The Company's presentation of such adjusted figure may not be comparable to a similarly titled measure presented by other companies. However, the Company believes that this and other non-IFRS measures are reflections of the Group's normal operating results by eliminating potential impacts of items that the management do not consider to be indicative of the Group's operating performance, and thus facilitate comparisons of operating performance from year to year and company to company to the extent applicable.

Adjusted loss and total comprehensive expenses for the year represents the loss and total comprehensive expenses for the year excluding the effect of certain non-cash item, namely fair value change on financial liabilities at FVTPL and share-based compensation expenses. The table below sets forth a reconciliation of the loss and total comprehensive expenses for the year to adjusted loss and total comprehensive expenses for the year during the years indicated:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Total comprehensive expenses for the year:	**(1,713,792)**	(319,541)
Add:		
Share-based compensation expenses	**30,578**	111,869
Fair value (loss)/gain of financial liabilities at FVTPL	**1,198,173**	(37,926)
Sub-total	**1,228,751**	73,943
Adjusted loss and total comprehensive expenses for the year	**(485,041)**	(245,598)

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION

The following table sets forth a breakdown of our employees as at December 31, 2021 by function.

	Number of employees	% of total number of employees
Research and Development	**186**	51
General and Administrative	**62**	17
Manufacturing	**115**	32
	363	100.0

The Group believes in the importance of attraction, recruitment and retention of quality employees in achieving the Group's success. Our success depends on our ability to attract, retain and motivate qualified personnel. The number of employees employed by the Group varies from time to time depending on our needs. Employees' remuneration is determined in accordance with prevailing industry practice and employees' educational background, experience and performance. The remuneration policy and package of the Group's employees are periodically reviewed.

Our employees' remuneration comprises salaries, bonuses, social security contributions and other welfare payments. In accordance with applicable laws in China and other relevant jurisdictions in which the Group operates, we have made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds or its equivalents for our employees.

The Company also has adopted the "Post-IPO Share Award Scheme" and "Pre-IPO Equity Incentive Plan". Please refer to the section headed "Appendix IV Statutory and General Information – D. Share Schemes" in the Prospectus for further details.

During the Reporting Period, the Group did not experience any significant labour disputes or any difficulty in recruiting employees.

LIQUIDITY AND FINANCIAL RESOURCES

On September 29, 2021, 40,330,000 ordinary shares of US$0.0001 par value each were issued at HK$16.00 per share for a total gross cash consideration of HK$645,280,000 (equivalent to RMB536,034,000).

As of December 31, 2021, bank balances and cash were RMB1,222.0 million, as compared to RMB813.6 million as of December 31, 2020. The increase was mainly due to issuance of ordinary shares.

GEARING RATIO

The gearing ratio of the Group was calculated using interest-bearing borrowings less cash and cash equivalents divided by (deficiency of) total equity and multiplied by 100%. Since the Group maintained a net cash position as at December 31, 2021 and December 31, 2020, the gearing ratio is not applicable.

Management Discussion and Analysis

OTHER FINANCIAL INFORMATION

Significant Investments, Material Acquisitions and Disposals

The Group did not make any significant investments (including any investment in an investee company with a value of 5 percent or more of the Group's total assets as at December 31, 2021) during the year ended December 31, 2021. The Group did not have any material acquisitions or disposals of subsidiaries, associated companies or joint ventures for the year ended December 31, 2021.

Foreign Exchange Risk

The functional currency of the Company is Renminbi. During the year ended December 31, 2021, certain bank balances and cash, trade and other receivables, amounts due from related parties and trade and other payables are denominated in U.S. dollars, which are exposed to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Bank Loans and Other Borrowings

As at December 31, 2021, bank borrowings amounting to RMB105,769,000 (2020: RMB142,250,000), are secured by property, plant and equipment with carrying amount of RMB124,841,000 (2020: RMB140,287,000).

The Group's borrowings that are denominated in currencies other the functional currencies of the relevant group entities are set out below:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
US$	**–**	26,099

Contingent Liabilities

As at December 31, 2021, we did not have any material contingent liabilities.

Report of Directors

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

DIRECTORS

The Directors who held office during the Reporting Period and up to the Latest Practicable Date are:

Executive Directors:

Dr. Xueming Qian (錢雪明) *(Chief Executive Officer)*
Dr. Michael Ming Shi (石明) *(Chief Medical Officer)*
Mr. Albert Da Zhu (朱達)
Mr. Xiaolu Weng (翁曉路) *(Chief Financial Officer) (appointed on March 21, 2022)*

Non-Executive Director:

Dr. Yining (Jonathan) Zhao (趙奕寧) *(Chairman of the Board)*

Independent Non-Executive Directors:

Mr. Jiasong Tang (唐稼松)
Dr. Jun Bao (包駿)
Mr. Zhihua Zhang (張志華)

Biographical details of the Directors are set out in the section headed "Directors and Senior Management" on pages 48 to 53 of this annual report.

GENERAL INFORMATION

The Company was incorporated in the British Virgin Island on August 20, 2010, and continued in the Cayman Islands as an exempted company with limited liability on March 26, 2021. The shares of the Company were listed on the Main Board of the Stock Exchange on September 29, 2021.

PRINCIPAL ACTIVITIES

We are a clinical stage biopharmaceutical company that integrates the capacities of discovery, research, development, manufacturing and business development. Our management team and the key operations, including clinical development, regulatory access and business development are based both in China and the United States, whereas our discovery, research and development, process development and manufacturing teams are based in China.

Analysis of the principal activities of the Group during the Reporting Period is set out in note 39 to the consolidated financial statements.

Report of Directors

RESULTS

The results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 74 of this annual report.

BUSINESS REVIEW

A business review of the Group, as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a fair review of the Company's business, a description of the principal risks and uncertainties facing the Company, particulars of important events affecting the Company that have occurred since the end of the financial year, an indication of likely future development in the Group's business and an analysis of the Group's financial performance, is set out in the "Business review" and "Management Discussion and Analysis" on pages 11 to 32 of this annual report. All the review, discussions and analysis mentioned above form part of this report of Directors.

An account of the Company's key relationships with its employees, customers and suppliers and others that have a significant impact on the Company and on which the Company's success depends is set out in the "Environmental, Social and Governance Report", which will be published in due course no later than five months after the financial year end.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to the community and achieving sustainable growth. The Group endeavours to comply with the relevant laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, waste reduction and energy saving.

In accordance with Rule 13.91 and the Environmental, Social and Governance Reporting Guide contained in Appendix 27 of the Listing Rules applicable to the financial year ended December 31, 2021, the Company's environmental, social and governance report will be available on our website and the website of the Stock Exchange within five months after the end of the financial year ended December 31, 2021.

PRINCIPAL RISKS AND UNCERTAINTIES

Our business involves certain risks as set out in the section headed "Risk factors" in the Prospectus. The following list is a summary of certain principal risks and uncertainties facing the Group, some of which are beyond its control.

- its ability to successfully identify new drug candidates, complete clinical development, obtain regulatory approval and commercialize its drug candidates;
- all material aspects of the research, development and commercialization of pharmaceutical products are heavily regulated;
- time-consuming and evolving regulatory approval processes of the NMPA, FDA, EMA or other comparable regulatory authorities for its drug candidates;
- the market size of its drug candidates and its ability to achieve the degree of market acceptance by physicians, patients, third-party payors and others in the medical community necessary for commercial success;
- intense competition and rapid technological change;

Report of Directors

- clinical development involves a lengthy and expensive process with an uncertain outcome, and results of earlier studies and trials may not be predictive of future trial results;
- its relationship with third parties that conduct its pre-clinical studies and clinical trials and the ability of these third parties to successfully carry out their contractual duties or meet expected deadlines;
- its ability to obtain sufficient funding or generate sufficient revenue to continue the development of all programs; and
- its ability to obtain and maintain patent and other intellectual property protection for its drug candidates.

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

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

During the Reporting Period, the Group derived its revenues from (i) provision of CDMO services; and (ii) research and development services. For the Reporting Period, revenue generated from the five largest customers in the aggregate accounted for approximately 87.8% (2020: 83.0%) of the Group's total revenue and revenue generated from the Group's largest customer for the Reporting Period accounted for approximately 34.5% (2020: 31.6%) of the Group's total revenue amount for the same year.

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

Major Suppliers

We procure raw materials and equipment for the development and manufacturing of our drug candidates from industry-leading, highly reputable manufacturers and suppliers around the world. We also procure properties and construction related services for the construction of our manufacturing facilities. In addition, we use contract research organizations, or CROs, and consultants to manage, conduct and support our clinical trials and pre-clinical studies in China and the United States.

For the Reporting Period, purchases from the Group's five largest suppliers in the aggregate accounted for approximately 20.6% (2020: 39.9%) of the Group's total purchases in the same year. Purchases from the Group's largest supplier for the Reporting Period accounted for approximately 6.7% (2020: 17.3%) of the Group's total purchases for the same year.

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

During the Reporting Period, the Group did not experience any significant disputes with its customers or suppliers.

Report of Directors

FINANCIAL SUMMARY

A summary of the audited consolidated results and the assets and liabilities of the Group for the last three financial years, as extracted from the audited consolidated financial statements, is set out on page 156 of this annual report. This summary does not form part of the audited consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

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

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 39 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Reporting Period are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL AND SHARES ISSUED

Details of movements in the share capital of the Company for the Reporting Period are set out in note 32 to the consolidated financial statements.

DEBENTURE ISSUED

The Group did not issue any debenture during the Reporting Period.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the section headed "Equity Plans" in this annual report, no equity-linked agreements were entered into by the Group, or existed during the Reporting Period.

Report of Directors

DIVIDEND

The Board does not recommend the distribution of a final dividend for the Reporting Period. No dividend was paid or declared by the Company or other members of the Group during the Reporting Period.

PERMITTED INDEMNITY

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

Such permitted indemnity provision has been in force for the Reporting Period. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

DISTRIBUTABLE RESERVES

As at December 31, 2021, the Company did not have any reserves available for distribution to Shareholders.

Details of movements in the reserves of the Group and the Company during the Reporting Period are set out in the consolidated statement of changes in equity on page 77 and in note 41 to the consolidated financial statements, respectively.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at December 31, 2021 are set out in the section headed "Management Discussion and Analysis" in this annual report and note 27 to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

Each of Dr. Michael Ming Shi and Mr. Albert Da Zhu has entered into a service contract with the Company for an initial term of three years from the Listing Date and (subject to re-election as and when required under the Articles of Association) be automatically renewed for successive periods of three years until terminated in accordance with the terms and conditions of the service contract or by either party terminating the agreement by giving not less than three months' written notice.

Dr. Xueming Qian has entered into an executive employment agreement with the Company for an initial term of three years from the date of appointment and (subject to re-election as and when required under the Articles of Association) be automatically renewed for successive periods of three years until terminated in accordance with the terms and conditions of the agreement.

Report of Directors

Mr. Xiaolu Weng has entered into a service agreement with the Company for an initial term of three years commencing on March 21, 2022 and (subject to re-election as and when required under the Articles of Association) be automatically renewed for successive periods of three years until terminated in accordance with the terms and conditions of the service contract or by either party terminating the agreement by giving not less than three months' written notice.

Dr. Yining (Jonathan) Zhao has entered into a service agreement with the Company for an initial term of three years from the date of appointment and (subject to re-election as and when required under the Articles of Association) shall be automatically renewed for successive periods of three years until terminated in accordance with the terms and conditions of the service agreement.

Each of the independent non-executive Directors has signed an appointment letter with the Company for an initial term of three years from the Listing Date and (subject to re-election as and when required under the Articles of Association) may be terminated by giving not less than three months' written notice.

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the note 34 to the consolidated financial statements, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended December 31, 2021.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

The Company has no Controlling Shareholders during the Reporting Period.

MANAGEMENT CONTRACTS

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

Report of Directors

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

As at December 31, 2021, the interests and short positions of the Directors and chief executives of our Company in any of the Shares, underlying Shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which will be required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as contained in Appendix 10 to the Listing Rules were as follows:

Name of Director	Capacity/Nature of interest	Number of ordinary shares	Approximate percentage of holding[1]	Long position/ Short position
Xueming Qian	Beneficial owner[2], Founder and beneficiary of discretionary trust, Interest in controlled corporation[3]	57,621,906	12.94%	Long position
Michael Ming Shi	Beneficial owner[4]	2,000,000	0.45%	Long position
Albert Da Zhu	Beneficial owner[5]	1,809,759	0.41%	Long position
Yining (Jonathan) Zhao	Interest in controlled corporation[6], Beneficial owner[7]	13,987,937	3.14%	Long position

Notes:

1. The calculation is based on the total number of 445,331,917 Shares in issue as at December 31, 2021.
2. Includes 3,414,000 Shares Dr. Qian holds in his name and his entitlement to receive up to 8,554,376 Shares pursuant to the share awards granted to him under the Pre-IPO Equity Incentive Plan. These options have been early-exercised and transferred to Success Link International L.P. (an exempted limited partnership established for the benefit of certain participants under Pre-IPO Equity Incentive Plan, including Dr. Qian). Dr. Qian transferred his interest in Success Link International L.P. to Success Voyage Investment Limited, a British Virgin Island company wholly-owned by Dr. Qian, on December 1, 2021.
3. Includes 23,242,154 Shares held by Qian Dynasty Irrevocable Trust and 22,411,376 Shares held by Shi Dynasty Irrevocable Trust. With regards to the Qian Dynasty Irrevocable Trust, the beneficiaries are Dr. Xueming Qian and his children and their descendants, the investment advisor is Dr. Qian and the trustee is HSBC Trust Company (Delaware) National Association. With regards to the Shi Dynasty Irrevocable Trust, the beneficiaries are Ms. Shi Xiaohong and the child of Ms. Shi and Dr. Qian and his descendants, the investment advisor is Dr. Qian, who can control voting rights attached to the relevant Shares, and the trustee is HSBC Trust Company (Delaware) National Association.
4. Includes Dr. Michael Ming Shi's entitlement to receive up to 2,000,000 Shares pursuant to the share awards granted to him under the Pre-IPO Equity Incentive Plan.
5. Includes Mr. Albert Da Zhu's entitlement to receive up to 1,809,759 Shares pursuant to the share awards granted to him under the Pre-IPO Equity Incentive Plan.
6. Includes 1,094,807 Shares held by VI Holding Limited which is wholly-owned by Dr. Yining (Jonathan) Zhao.
7. Includes Dr. Yining (Jonathan) Zhao's entitlement to receive up to 12,893,130 Shares pursuant to the share awards granted to him under the Pre-IPO Equity Incentive Plan.

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

Report of Directors

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

As at December 31, 2021, so far as the Directors or chief executives are aware, the following persons (other than the Directors or chief executives of the Company) had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to our Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Capacity/Nature of interest	Number of ordinary shares	Approximate percentage of holding[1]	Long position/ Short position/ Lending pool
Dr. Xueming Qian[2]	Beneficial owner; founder and beneficiary of discretionary trust; interest in controlled corporation	57,621,906	12.94%	Long position
HSBC Trust Company (Delaware) National Association[2]	Trustee of discretionary trust	45,653,530	10.25%	Long position
Yi Shi[3]	Interest in controlled corporation	70,536,703	15.84%	Long position
LAV Corporate GP, Ltd.[3]	Interest in controlled corporation	50,566,136	11.35%	Long position
LAV GP III, L.P.[3]	Interest in controlled corporation	50,566,136	11.35%	Long position
LAV Biosciences Fund III, L.P.[3]	Beneficial owner; interest in controlled corporation	33,710,963	7.57%	Long position
LAV Vitality Limited[3]	Beneficial owner	22,388,232	5.03%	Long position
Temasek Holdings (Private) Limited[4]	Interest in controlled corporation	28,086,380	6.31%	Long position
Fullerton Management Pte Ltd[4]	Interest in controlled corporation	26,021,880	5.84%	Long position
Temasek Life Sciences Private Limited[4]	Interest in controlled corporation	26,021,880	5.84%	Long position
TLS Beta Pte. Ltd.[4]	Beneficial owner	26,021,880	5.84%	Long position
China Structural Reform Fund Corporation Limited (中國國有企業結構調整基金股份有限公司)[5]	Beneficial owner; interest in controlled corporation	39,421,012	8.85%	Long position
Success Link International L.P.[6]	Beneficial owner	37,340,878	8.38%	Long position

Report of Directors

Notes:

1. The calculation is based on the total number of 445,331,917 Shares in issue as at December 31, 2021.

2. Dr. Xueming Qian is an executive Director and chief executive officer of our Company.

   This includes 3,414,000 Shares Dr. Qian holds in his name and his entitlement to receive up to 8,554,376 Shares pursuant to the share awards granted to him under the Pre-IPO Equity Incentive Plan. These options have been early-exercised and transferred to Success Link International L.P. (an exempted limited partnership established for the benefit of certain participants under Pre-IPO Equity Incentive Plan, including Dr. Qian). Dr. Qian transferred his interest in Success Link International L.P. to Success Voyage Investment Limited, a British Virgin Island company wholly-owned by Dr. Qian, on December 1, 2021.

   This also includes 23,242,154 Shares held by Qian Dynasty Irrevocable Trust and 22,411,376 Shares held by Shi Dynasty Irrevocable Trust. With regards to the Qian Dynasty Irrevocable Trust, the beneficiaries are Dr. Xueming Qian and his children and their descendants, the investment advisor is Dr. Qian and the trustee is HSBC Trust Company (Delaware) National Association. With regards to the Shi Dynasty Irrevocable Trust, the beneficiaries are Ms. Shi Xiaohong and the child of Ms. Shi and Dr. Qian and his descendants, the investment advisor is Dr. Qian, who can control voting rights attached to the relevant Shares, and the trustee is HSBC Trust Company (Delaware) National Association.

3. LAV Biosciences Fund III, L.P. and Lilly Asia Ventures Fund III, L.P. are Cayman Islands exempted partnership funds. The general partner of LAV Biosciences Fund III, L.P. and Lilly Asia Ventures Fund III, L.P. are LAV GP III, L.P., whose general partner is LAV Corporate GP, Ltd., a Cayman exempted company wholly owned by Yi Shi. Both LAV Vitality Limited (beneficial owner of 22,388,232 Shares) and LAV Altitude Limited (beneficial owner of 10,276,020 Shares) are limited companies incorporated in the British Virgin Islands and are wholly-owned by LAV Biosciences Fund III, L.P.. LAV Biosciences Fund III, L.P. also holds 1,046,711 Shares in its own name. Both LAV Verdure Limited (beneficial owner of 11,194,116 Shares) and LAV Acuity Limited (beneficial owner of 5,138,010 Shares) are limited companies incorporated in the British Virgin Islands and are wholly-owned by Lilly Asia Ventures Fund III, L.P.. Lilly Asia Ventures Fund III, L.P. also holds 523,047 Shares in its own name.

   LAV Biosciences Fund V, L.P. is a Cayman Islands exempted partnership fund. The general partner of LAV Biosciences Fund V, L.P. is LAV GP V, L.P., whose general partner is LAV Corporate V GP, Ltd., a Cayman exempted company wholly owned by Yi Shi. LAV Biosciences Fund V, L.P. holds 16,667,067 Shares in its own name and wholly-owns LAV Amber Limited, which is the beneficial owner of 3,303,500 Shares.

   Therefore, Yi Shi is deemed to be interested in the Shares held by LAV Biosciences Fund III, L.P., LAV Vitality Limited, LAV Altitude Limited, Lilly Asia Ventures Fund III, L.P., LAV Verdure Limited, LAV Acuity Limited, LAV Biosciences Fund V, L.P. and LAV Amber Limited.

4. TLS Beta Pte. Ltd. is a company incorporated in Singapore, which is a direct wholly-owned subsidiary of Temasek Life Sciences Private Limited. Temasek Life Sciences Private Limited is a direct wholly-owned subsidiary of Fullerton Management Pte Ltd, which in turn is a direct wholly-owned subsidiary of Temasek Holdings (Private) Limited. Aranda Investments Pte. Ltd. (beneficial owner of 2,064,500 Shares) is a company incorporated in Singapore and an indirectly wholly owned subsidiary of Temasek Holdings (Private) Limited.

5. China Structural Reform Fund Corporation Limited (中國國有企業結構調整基金股份有限公司) is a company incorporated in the PRC and (i) wholly-owns EverestLu Holding Limited (永祿控股有限公司), which is a limited company incorporated in Hong Kong and the beneficial owner of 16,076,988 Shares, and (ii) is interested in approximately 75.8% of China Merchant Buyout Fund (深圳國調招商併購股權投資基金合夥企業(有限合夥)) in its capacity as a limited partner, which is the beneficial owner of 10,954,024 Shares.

6. Success Link International L.P. is an exempted limited partnership established for the benefit of selected participants of the Pre-IPO Equity Incentive Plan. Success Link International L.P. is controlled by its general partner, Success Link GP Inc., which shall be determined or approved by the board of directors of the Company from time to time as provided for in the governing documents of Success Link International L.P. The current directors of Success Link GP Inc. are Albert Da Zhu (朱達), an executive Director and Weikang Zhu (朱衛康), an employee of our Group. For details of the Pre-IPO Equity Incentive Plan, please see the section headed "Statutory and General Information – Pre-IPO Equity Incentive Plan" in Appendix IV to the Prospectus.

Save as disclosed above, as at December 31, 2021, no persons other than the Directors or chief executives of the Company whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any of Its Associated Corporations" above had any interests or short positions in the Shares or underlying Shares which would fall to be disclosed to our Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO.

Report of Directors

EQUITY PLANS

1. Pre-IPO Equity Incentive Plan

The Pre-IPO Equity Incentive Plan of the Company was effective since January 1, 2019 and as amended from time to time. The vesting period of the Pre-IPO Equity Incentive Plan generally ranges from 1 to 5 years. The terms of the Pre-IPO Equity Incentive Plan are not subject to the provisions of Chapter 17 of the Listing Rules.

Purpose

The Pre-IPO Equity Incentive Plan is intended to grant options to, and to incentivize, employees of the Company other than the management.

Eligibility

Those eligible to participate in the Pre-IPO Equity Incentive Plan include employees, directors and consultants of the Group as determined, authorized and notified by the Board or a committee authorized by the Board (the "Committee"). The Board or the Committee may, from time to time select from among all eligible individuals ("Participants") to whom awards ("Awards") in the form of options ("Options") and restricted share units ("RSU"), will be granted ("Grantees") and will determine the nature and amount of each grant.

Share Limit

The maximum number of Shares in respect of which Awards may be granted under this Pre-IPO Equity Incentive Plan shall not exceed 69,325,254 Shares in the aggregate (representing 15.57% of the issued shares of our Company as at the Latest Practicable Date), subject to any adjustments in the event of any alteration in the capital structure of the Company.

Maximum entitlement of each participant

There is no maximum entitlement of each participant.

Offer and Grant of Awards

The Board shall be entitled to make an offer to any Participant as the Board may in its absolute discretion select to take up Options in respect of such number of Shares and at any price per Share ("Strike Price") as the Board may determine. The details of the offer shall be set out in a letter, the form of which shall be approved by the Board and entered into by and among the Company and a Grantee regarding the offer of an Award ("Offer Letter").

Awards may be granted on such terms and conditions in relation to their vesting, exercise or otherwise as the Board may determine, provided that such terms and conditions shall not be inconsistent with any other terms and conditions of the Pre-IPO Equity Incentive Plan.

A Grantee is not required to pay for the grant of any Option. The consideration to be paid (if any) for each Share subject to an RSU is determined by the Board and shall be set forth in the Offer Letter for such RSUs and may be paid in any form of legal consideration that may be acceptable to the Board, in its sole discretion and permissible under applicable law. RSUs may be awarded for zero consideration if permitted under applicable law.

Report of Directors

Price

The Strike Price and vesting of Options and RSUs shall be approved by the Board and shall be set out in the Offer Letter.

Term of the Pre-IPO Equity Incentive Plan

The term of the Pre-IPO Equity Incentive Plan commenced on January 1, 2019 and will expire on its tenth anniversary. Upon expiry of the Pre-IPO Equity Incentive Plan, no further Awards will be granted but any Award that is outstanding shall remain in force according to the terms of the Pre-IPO Equity Incentive Plan and the Awards shall be exercised or settled in accordance with the terms upon which the Awards are granted. The remaining life of the Pre-IPO Equity Incentive Plan is approximately 7 years.

Further details of the Pre-IPO Equity Incentive Plan are set out in the section headed "Statutory and General Information" of the Prospectus and note 33 to the financial statements.

Details of the movements of the options granted under the Pre-IPO Equity Incentive Plan as at December 31, 2021 are as follows:

Name	Date of grant	Option period	Vesting period	Exercise price	Outstanding as at January 1, 2021[6]	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled/ Lapsed during the Reporting Period	Outstanding as at December 31, 2021[6], [7]
Directors									
Albert Da Zhu	September 28, 2016 to November 18, 2020	10 years	4 years	US$0.0879 per Share to US$1.13 per Share	1,809,759	–	743,979[5]	–	1,065,780
Senior Management									
Frank Feng Ye	November 18, 2020	10 years	4 years	US$1.13 per Share	500,000	–	–	–	500,000
Christopher Hwang	November 18, 2020	10 years	4 years	US$1.13 per Share	400,000	–	–	–	400,000
Jerry Xiaoming Yang	November 18, 2020	10 years	4 years	US$1.13 per Share	500,000	–	–	–	500,000
Yi Gu	November 18, 2020	10 years	4 years[3]	US$1.13 per Share	300,000	–	–	–	300,000
Jane Qin Xia	November 18, 2020	10 years	4 years[3]	US$1.13 per Share	360,000	–	–	–	360,000
Consultants (who are not employees or former employees of the Group)									
In aggregate	Between September 28, 2016 to June 13, 2021	10 years	4 to 5 years	Between US$0 per Share to US$0.4102 per Share	1,596,925	160,000[4]	–	500,362	1,256,563
Other grantees (other than Directors, senior management and consultants)									
In aggregate	Between September 28, 2016 to June 13, 2021	10 years from the date of grant	2 to 4 years[3]	Between US$0.0001 per Share to US$1.50 per Share	16,712,213	1,889,694[4]	2,288,506[5]	4,453,496	11,859,905
Total					**22,178,897**	**2,049,694**	**3,032,485**	**4,953,858**	**16,242,248**

Report of Directors

Notes:

1. On November 13, 2020, options and awards amounting to an aggregate of 2,670,445 Shares granted to certain participants (the "Trust Participants") under the Pre-IPO Equity Incentive Plan were transferred to Success Reach International Limited, and 2,670,445 Shares were issued to Success Reach International Limited on February 10, 2021. The entire share capital of Success Reach International Limited is held by Trident Trust Company (HK) Limited in trust which serves as the trustee of the Success Reach Trust. Success Reach Trust is an irrevocable trust established by the Company on November 13, 2020 for the benefit of Trust Participants, including Mr. Albert Da Zhu. To the knowledge of the Company and save for Mr. Albert Da Zhu, the Trust Participants are Independent Third Parties.

2. On November 13, 2020, options and awards amounting to an aggregate of 32,840,878 Shares granted to certain participants, including among others Xueming Qian, Michael Ming Shi, Yining (Jonathan) Zhao, Frank Feng Ye, Christopher Hwang, Jerry Xiaoming Yang, Yi Gu and Jane Qin Xia (the "ELP Participants") under the Pre-IPO Equity Incentive Plan were early-exercised, the exercise price of such share options were paid by delivering a promissory note to the Company payable by each of the ELP Participants, and such 32,840,878 shares were transferred to Success Link International L.P. on February 10, 2021 pursuant to the amended and restated exempted limited partnership agreement dated February 8, 2021 for the benefits of ELP Participants. Success Link International L.P. is an exempted limited partnership established for the benefit of the ELP Participants. To the knowledge of the Company and save for Xueming Qian, Michael Ming Shi, Yining (Jonathan) Zhao, Frank Feng Ye, Christopher Hwang, Jerry Xiaoming Yang, Yi Gu and Jane Qin Xia, the ELP Participants are Independent Third Parties.

3. A portion of the options granted are vested based on milestones achievement stated in the Offer Letter.

4. The options were granted before the Listing Date.

5. The options were exercised before the Listing Date.

6. The calculations exclude share awards where the underlying Shares have been issued to Success Reach International Limited and Success Link International L.P.

7. The calculations exclude certain share awards which have been approved by the Board but in respect of which, the relevant grant documents have not been fully executed.

8. On January 1, 2022, a total of 1,000,000 RSUs were granted to Dr. Shi pursuant to the Pre-IPO Equity Incentive Plan.

As of the Latest Practicable Date, the total number of Shares available for grant under this Pre-IPO Equity Incentive Plan was 13,884,643 Shares, representing 3.12% of the issued shares of our Company as at the Latest Practicable Date.

2. Post-IPO Share Award Scheme

The Post-IPO Share Award Scheme is not a share option scheme and is not subject to the provisions of Chapter 17 of the Listing Rules. The Company may appoint one or more trustees to administer the Post-IPO Share Award Scheme with respect to the grant of any award by the Board (an "Award") which may vest in the form of Shares ("Award Shares") or the actual selling price of the Award Shares in cash in accordance with the Post-IPO Share Award Scheme.

Any individual, being an employee or director (including executive directors, non-executive directors and independent non-executive directors) of any member of the Group or any affiliate of the Group (including nominees and/or trustees of any employee benefit trust established for them), and any officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate of the Group who the Board or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to our Group is eligible to receive an Award. However, no individual who is resident in a place where the grant, acceptance or vesting of an Award pursuant to the Post-IPO Share Award Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or its delegate(s), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, shall be entitled to participate in the Post-IPO Share Award Scheme.

As of December 31, 2021, no shares had been granted or agreed to be granted pursuant to the Post-IPO Share Award Scheme since Listing Date. Further details of the Post-IPO Share Award Scheme are set out in the Prospectus.

Report of Directors

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

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

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

In compliance with Rule 3.25 of the Listing Rules and the CG Code as set out in Appendix 14 to the Listing Rules, the Company has established the Remuneration Committee to formulate remuneration policies. The remuneration is determined and recommended based on each Director's and senior management personnel's qualification, position and seniority. As for the independent non-executive Directors, their remuneration is determined by the Board upon recommendation from the Remuneration Committee. The Directors and the senior management personnel are eligible participants of the Pre-IPO Equity Incentive Plan and Post-IPO Share Award Scheme. Details of the remuneration of the Directors, senior management and the five highest paid individuals both are set out in note 12 to the consolidated financial statements.

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

For the Reporting Period, the aggregate amount of remuneration (including basic salaries, housing allowances, other allowances and benefits in kind, contributions to pension plans and discretionary bonuses) for our Directors was approximately RMB36,134,000 (as set out in note 12 to the consolidated financial statements).

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in this annual report, during the Reporting Period, none of our Directors had any interest in a business, apart from the business of our Group, which materially competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

The Group has not entered into any non-exempt continuing connected transactions from the Listing Date up to December 31, 2021. Details of related party transactions of the Group for the Reporting Period are disclosed in note 34 to the consolidated financial statements, none of which fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules for which disclosure is required. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules for the Reporting Period.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange since the Listing Date and up to December 31, 2021.

MATERIAL LITIGATION

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

Report of Directors

USE OF NET PROCEEDS

With the Shares of the Company listed on the Stock Exchange on September 29, 2021 and based on the Offer Price of HK$16.00 per Offer Share, the net proceeds from the Global Offering were approximately HK$553.4 million. There was no change in the intended use of net proceeds as previously disclosed in the Prospectus and the table below sets out the planned applications of the net proceeds and amount utilized as at December 31, 2021:

Use of Net Proceeds	% of net proceeds (Approximately)	Net proceeds from the Global Offering	Amount utilized as at December 31, 2021	Unutilized net proceeds as at December 31, 2021
		HK$ million	HK$ million	HK$ million
1. Research and development of our pipeline product candidates, funding of ongoing and planned clinical and pre-clinical trials, preparation for registration filings and other steps or activities related to the commercialization of our four anchor products as follows:	82%	453.8	–	453.8
(i) fund ongoing and planned clinical trials, preparation for registration filings and potential commercial launches (including sales and marketing) of our core product, MSB2311	30%	166.0	–	166.0
(ii) fund ongoing and planned clinical trials, preparation for registration filings and potential commercial launch (including sales and marketing) of our key product, TST001	20%	110.7	–	110.7
(iii) fund ongoing and planned clinical trials, preparation for registration filings and potential commercial launch (including sales and marketing) of our key product, TST005	10%	55.3	–	55.3
(iv) fund ongoing and planned clinical trials, preparation for registration filings and potential commercial launch (including sales and marketing) of our key product, TST002	10%	55.3	–	55.3
(v) fund ongoing and planned pre-clinical trials and preparation for registration filings of our key product and other pipeline products, including TST004, MSB0254, TST003, TST006 and TST008	12%	66.5	–	66.5
2. Fund the business development for pipeline expansion and technology development, with a focus in oncology assets that have synergy with our current pipeline and promising clinical evidences, and/or technology platforms that can complement our current discovery and development platforms, such as ADC, small molecule targeted therapies, and other advanced new technologies	8%	44.3	–	44.3
3. For general working capital purposes and general operation expenses	10%	55.3	–	55.3
Total	**100%**	**553.4**	**–**	**553.4**

Report of Directors

For detailed description of the intended use of proceeds and the expected timeline, please refer to the section headed "Future plans and use of proceeds" in the Prospectus.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes or if we are unable to put into effect any part of our development plan as intended, we will hold such funds in short-term deposits in authorized banks or financial institutions so long as it is deemed to be in the best interests of the Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

As at the Latest Practicable Date, the net proceeds from the Global Offering had not been utilized since the Listing Date.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

The consolidated financial statements of the Group have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM.

Since the Listing Date and up to the Latest Practicable Date, the Company has not changed its auditor.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Particulars of the Company's significant events affecting the Company after the year ended December 31, 2021 are set out in the section headed "Management Discussion and Analysis – Events after the Reporting Period" of this report.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

By the order of the Board
Xueming Qian
Executive Director and Chief Executive Officer
Hong Kong
March 21, 2022

Directors and Senior Management

The Board consists of four executive Directors, one non-executive Director and three independent non-executive Directors.

DIRECTORS

Executive Directors

Dr. Xueming Qian (錢雪明), Ph.D., aged 54, is an executive Director, our chief executive officer and a member of the nomination committee of our Company. Dr. Qian was appointed as our Director in October 2012 and was re-designated as an executive Director in June 2021. He is also a director of Mabspace Biosciences (Suzhou) Co., Ltd., and HJB (Hangzhou) Co., Ltd.

Dr. Qian served as senior vice president, head of R&D at Shenogen Pharma Group from June 2010 to September 2012. Dr. Qian also successively worked as postdoctoral fellow, senior scientist, principal scientist and team leader at Amgen Inc. (NASDAQ: AMGN) from September 1997 to June 2010.

Dr. Qian received his bachelor of science in biophysics from Fudan University (復旦大學) in July 1990 and a master of arts in biophysics and physiology from Columbia University in October 1992. He received Ph.D. in neurosciences and pharmacology from Albany Medical Center in May 1998. He is a member of the American Association of Cancer Research, American Society of Clinical Oncology, the European Society of Medical Oncology, the International Association for the Study of Lung Cancer, the Clinical Research of Oncology Medicine Sub-Committee of the Chinese Anti-Cancer Association and the International Society of Nephrology.

Dr. Michael Ming Shi (石明), M.D., Ph.D., aged 56, is an executive Director and our executive vice president, global head of R&D and chief medical officer of our Company. Dr. Shi was appointed as our Director in March 2021 and was re-designated as an executive Director in June 2021.

Before joining the Group, Dr. Shi served as global clinical program head at Novartis Pharmaceuticals Corporation from April 2005 to October 2020, responsible for overseeing their clinical development programs. He worked as medical officer at the National Institute of Health from April 2004 to April 2005. He was a Director of Clinical Research at MSD from February 2003 to April 2004. He worked as a senior director of applied genomics at Genometrix, Inc from October 2000 to May 2001. Prior to Genometrix, he served as a director of clinical and molecular pathology at Warner-Lambert (later acquired by Pfizer) and an Adjunct Assistant Professor at the University of Michigan from May 1997 to September 2000. He also worked at Harvard University from May 1994 to May 1997 as a postdoctoral fellow.

Dr. Shi received his certificate in pre-medicine from Peking University in January 1986, and later received a bachelor of medicine from Peking Union Medical College in July 1989. Dr. Shi received a Ph.D. in toxicology from University of Southern California in May 1994. He is a member of the American Society of Clinical Oncology, the American Society of Hematology and the European Society of Medical Oncology; he is also a member of Executive Committee of US China Anti-Cancer Association.

Directors and Senior Management

Mr. Albert Da Zhu (朱達), aged 41, is an executive Director and a joint company secretary of the Company. Mr. Zhu was appointed as our Director in March 2021 and was re-designated as an executive Director in June 2021. He is also our senior vice president of finance and business operations.

Mr. Zhu has been a director and legal representative of Lisheng Biotech (Shanghai) Co., Ltd. (禮勝生物醫藥(上海)有限公司), a joint venture established by a subsidiary of the Company and Shanghai Alebund Pharmaceuticals Limited (上海禮邦醫藥科技有限公司) since December 2020. He served as the general manager and sole director at Shanghai Elite Business Consulting Co., Ltd. from November 2018 to July 2019. Mr. Zhu worked at Veritas Genetics Biotechnology (Shanghai) Co., Ltd. as the finance controller from May 2016 to October 2018. He served as senior manager of the consulting team at PricewaterhouseCoopers Business Consulting Co., Ltd. in Shanghai from June 2013 to June 2016. He was a manager of the assurance team at PricewaterhouseCoopers LLP in Michigan from September 2011 to May 2013. He worked successively as an associate, senior associate, manager and senior manager of the audit team at PricewaterhouseCoopers Zhongtian CPA LLP, Guangzhou Branch from August 2002 to August 2011.

Mr. Zhu received his bachelor's degree with a double major in accounting and information & computer science from Sun Yat-Sen University (中山大學) in June 2002. He is a member of The Chinese Institute of Certified Public Accountants and Association of Chartered Certified Accountants.

Mr. Xiaolu Weng (翁曉路), aged 45, is an executive Director, our executive vice president and chief financial officer. Mr. Weng was appointed as an executive Director in March 2022.

Mr. Weng has over 23 years solid experience in all finance functions with exposures in both biotechs and MNCs, and he is a seasoned leader with sound cross-functional experience and outstanding track record.

Prior to joining the Company, Mr. Weng served as the vice president and head of finance at CStone Pharmaceuticals, a company listed on the Stock Exchange (stock code: 02616), where he made tremendous contributions to commercial strategy leading to successful commercial launch in China and Taiwan as well as research and development prioritization.

Prior to that, Mr. Weng consecutively served as the vice president and head of finance at Everest Medicines Limited, a company listed on the Stock Exchange (stock code: 01952). He led the IPO workstream, partnered with bulge-bracket investment banks and global accounting firms for IPO preparation and achieved successful listing.

From 2013 to 2019, Mr. Weng served as the CFO of China at Amgen, Inc., a company listed on the NASDAQ (stock code: AMGN). He was responsible for overall financial operations in China related to commercial operation, research & development activities and strategic collaborations.

Before Amgen, Mr. Weng spent nearly 15 years serving as the senior and executive finance professional with the growing responsibilities at multinational companies like GE, Honeywell in China and overseas.

Mr. Weng holds a master's degree in finance and accounting from the University of Sydney, Australia. He is a Certified Public Accountant in Australia and a member of the Association of Chartered Certified Accountants.

Directors and Senior Management

Non-executive Director

Dr. Yining (Jonathan) Zhao (趙奕寧), Ph.D., aged 50, is the non-executive Director, chairman of the Board and a member of the audit committee of our Company. Dr. Zhao was appointed as our Director in December 2018 and was re-designated as a non-executive Director in June 2021.

Dr. Zhao was President and Chief Operating Officer at Ansun Biopharma during July 2020 to September 2021. He was the co-founder and managing director of Hangzhou Veritas Genetics Inc (杭州奕真生物科技有限公司) during May 2015 to May 2019. He was the co-founder and served as the board chairman at Intuition Biosciences Inc. during August 2017 to July 2021. Dr. Zhao was the venture partner of Lilly Asia Ventures from 2015 to 2018. Dr. Zhao served as an executive director of Global Commercial Operations at Amgen Inc. from 2012 to 2015. He worked successively as an associate research fellow and team leader, associate director, director and leader of biosimilar strategy and the leader of Asia strategy and portfolio solutions at Pfizer from 2004 to 2012. Dr. Zhao served as the research scientist III at the R&D department at Amgen Inc. from 1999 to 2004. He worked as the assistant manager of supply chain management at Shanghai Johnson & Johnson from 1994 to 1995. He has been an independent board member of Alebund Pharmaceutics Inc since 2021 and co-founder of Bionecure Therapeutics Inc since 2017.

Dr. Zhao received his Bachelor of Science in medicinal chemistry from Shanghai Medical College of Fudan University (復旦大學上海醫學院), formerly Shanghai Medical University (上海醫科大學), in July 1994 and Ph.D. in analytical chemistry from Ghent University in November 1999. He received an MBA from the MIT Sloan School of Management in June 2008. He has been a member of the executive board of the MIT Sloan School of Management since 2017, and a member of BayHelix Group since 2011.

Independent non-executive Directors

Mr. Jiasong Tang (唐稼松), aged 48, was appointed as an independent non-executive Director, chairperson of the audit committee and a member of the remuneration committee of our Company in September 2021.

Mr. Tang has more than 20 years of experience in accounting and auditing. Mr. Tang previously worked at Deloitte Touche Tohmatsu Certified Public Accountants LLP from September 1995 to August 2015, and was partner from June 2007 to August 2015.

Mr. Tang has been an independent non-executive director, chairman of the audit committee and a member of the remuneration committee of Sichuan Zigong Conveying Machine Group Co., Ltd. (四川自貢運輸機械集團股份有限公司), a publicly listed company on the Shenzhen Stock Exchange (SHA: 001288), since November 2017.

Mr. Tang has been an independent non-executive director, chairman of the audit committee and a member of the remuneration committee of ENN Natural Gas Co., Ltd. (新奧天然氣股份有限公司 and formerly named ENN Ecological Holdings Co., Ltd. 新奧生態控股股份有限公司), a publicly listed company on the Shanghai Stock Exchange (SHA: 600803), since November 2019.

Mr. Tang has been an independent non-executive director, chairman of the audit committee and a member of the remuneration committee of Shanghai Jin Jiang Online Network Service Co., Ltd. (上海錦江在線網絡服務股份有限公司), a publicly listed company on the Shanghai Stock Exchange (SHA: 600650), since September 2021.

Mr. Tang is a member of the Chinese Institute of Certified Public Accountants. He graduated from Shanghai University International Trading Institute (presently known as Shanghai University of International Business and Economics), major in Accounting and Finance in June 1995.

Directors and Senior Management

Dr. Jun Bao (包駿), Ph.D., aged 55, was appointed as an independent non-executive Director, chairperson of the remuneration committee and a member of the nomination committee of our Company in September 2021.

He has served as president and CEO of Impact Therapeutics since September 2018. He served as director of Shenogen Pharma Group from July 2017 to October 2019, and as senior vice president and chief business officer at Shenogen Pharma Group from May 2013 to September 2018. Dr. Bao was director of worldwide business development and head of China at GlaxoSmithKline from October 2010 to May 2013. Before GlaxoSmithKline, he worked at ICOS Corporation as an associate director of business development from 2005 before joining Onyx Pharmaceuticals, Inc. as a director of corporate development and financial planning in 2006. He worked at Cell Therapeutics as a senior manager of business development with progressive responsibilities from October 2001 to February 2005. Dr. Bao also worked as a finance manager in Procter & Gamble in Cincinnati from July 1999 to September 2001.

Dr. Bao received a bachelor of science in microbiology from Shandong University in July 1986 and a Ph.D. in neuroscience from University of Kansas in August 1994. Dr. Bao completed his postdoctoral fellowship in neuroscience at Johns Hopkins University in September 1997. Dr. Bao has also received an MBA in finance and strategy from University of Chicago in June 1999.

Mr. Zhihua Zhang (張志華), aged 40, was appointed as an independent non-executive Director, chairperson of the nomination committee and a member of the audit committee and remuneration committee of our Company in September 2021.

Mr. Zhang has served as an executive director and the president of Shanghai Jizi Investment Management Co., Ltd (上海季子投資管理有限公司) since December 2014. Mr. Zhang served as the deputy general manager of Shanghai Wangshi Industry Co., Ltd. (上海王獅實業有限公司), where he was responsible for corporate investment, from August 2009 to November 2014. Mr. Zhang worked at JunHe LLP in Shanghai as securities lawyer, where he worked on matters relating to corporate listing, investment and financing and mergers and acquisition from August 2007 to July 2009. Mr. Zhang worked at the office of the principal of Fudan University (復旦大學) as the director of the legal affairs office from July 2006 to August 2007.

Mr. Zhang received a bachelor of laws from Fudan University (復旦大學) in July 2004 and a master of laws majoring in civil and commercial law from Fudan University (復旦大學) in July 2006. Mr. Zhang holds a Chinese Legal Professional Qualification Certificate awarded in 2005.

Senior Management

Dr. Xueming Qian (錢雪明), Ph.D., aged 54, is an executive Director, our chief executive officer and a member of the nomination committee. For further details, please see the paragraphs headed "Executive Directors" in "Directors" section.

Dr. Michael Ming Shi (石明), M.D., Ph.D., aged 56, is an executive Director and our executive vice president, global head of R&D and chief medical officer. For further details, please see the paragraphs headed "Executive Directors" in "Directors" section.

Mr. Albert Da Zhu (朱達), aged 41, is an executive Director and a joint company secretary of the Company. He is also our senior vice president of finance and business operations. For further details, please see the paragraphs headed "Executive Directors" in "Directors" section.

Mr. Xiaolu Weng (翁曉路), aged 45, is an executive Director, our executive vice president and chief financial officer. For further details, please see the paragraphs headed "Executive Directors" in "Directors" section.

Directors and Senior Management

Dr. Frank Feng Ye (葉峰), Ph.D., aged 54, has served as our chief operating officer and executive vice president since February 2020. Mr. Ye joined our Group in January 2016 as vice president for quality of a subsidiary of Just Biotherapeutics Asia Inc., and became senior vice president of technical operations of our Company following our acquisition of Just Biotherapeutics Asia Inc. in December 2018.

Dr. Ye served as Director of Quality at Amgen Inc. from 2004 to 2016. From 2000 to 2001, Dr. Ye worked as a research statistician at Schering-Plough Corporation before working as a principal statistician at GlaxoSmithKline from 2001 to 2004.

Dr. Ye received a bachelor of science majoring in computer science from the University of Oregon in May 1993 and a master of science from the University of Oregon in May 1995. Dr. Ye received his Ph.D. in biostatistics from the University of North Carolina in December 2000.

Dr. Christopher Hwang (黃光誠), Ph.D., aged 58, has served as our chief technology officer and executive vice president responsible for technology and platform development and CMC support since February 2019. Dr. Hwang joined our Group in October 2016 as executive vice president of process and product development of a subsidiary of Just Biotherapeutics Asia Inc., and became executive vice president of process and product development of our Company following our acquisition of Just Biotherapeutics Asia Inc. in December 2018.

Dr. Hwang was an employee at Sanofi Genzyme from February 1992 to September 2016. Dr. Hwang was promoted to senior director in 2005 and served in multiple functions within Operations and R&D until his departure.

Dr. Hwang received his bachelor of science majoring in chemical engineering from the Massachusetts Institute of Technology in June 1985 and his Ph.D. in biochemical engineering from the Massachusetts Institute of Technology in February 1992. Dr. Hwang is a member of the Parenteral Drug Association's Biotechnology Advisory Board.

Dr. Jerry Xiaoming Yang (楊曉明), Ph.D., aged 58, has served as our executive vice president, global process & product development and general manager of CDMO since February 2021. Dr. Yang joined Just Biotherapeutics Asia Inc. as senior vice president of process and product development since October 2016, and has also served as the general manager of our CDMO business since October 2018.

Prior to joining our Group, Dr. Yang was the general manager of DZM Biotech Ltd., where he was responsible for biological development and operations, from May 2013 to October 2016. From June 2003 to June 2013, Dr. Yang served as a scientific director and senior member of biological process development at Amgen Inc.

Dr. Yang received his bachelor of science from Chengdu University of Science and Technology (成都科技大學), which later merged into Sichuan University (四川大學), in July 1984. He received his master of engineering from the Chinese Academy of Sciences' Institute of Process Engineering (中國科學院過程工程研究所), formerly named Chinese Academy of Sciences' Institute of Chemical Metallurgy (中國科學院化工冶金研究所) in August 1987, and a Doctor of Philosophy from Rutgers University in January 2001. Dr. Yang has been a fellow of the Society for Industrial Microbiology and Biotechnology, USA since 2009.

Dr. Yi Gu (顧怡), Ph.D., aged 52, has served as our senior vice president and head of research since February 2019.

Prior to joining our Group, Dr. Gu served as the vice president of research & development at Ambrx Inc. from January 2016 to December 2018. Dr. Gu has previously worked at AstraZeneca plc as director of translational sciences from December 2006 to December 2015.

Dr. Gu received her bachelor of science majoring in genetics from Fudan University (復旦大學) in July 1990, and her Ph.D. in cell and molecular biology from the University of Rochester in February 1998. Dr. Gu has been an active member of the American Association for Cancer Research since 2009.

Directors and Senior Management

Ms. Jane Qin Xia (夏勤), aged 53, has served as our vice president of commercial planning and business development since February 2020.

Prior to joining our Group, Ms. Xia served as the director of commercial strategy and analysis engagement lead at Amgen from August 2005 to September 2019. Ms. Xia served as an associate director for worldwide business intelligence in oncology at Bristol-Myers Squibb from June 2004 to July 2005. She also previously worked as manager of market planning and research at Baxter BioScience from September 2000 to May 2004, and as a research lab technician III at the University of Southern California's Gene Therapy Lab from April 1996 to June 2000.

Ms. Xia received her bachelor of science majoring in biology from East China Normal University (華東師範大學) in July 1990. She received a master of science majoring in molecular biology from the University of Prince Edward Island in May 1995, and a master of business administration majoring in finance and marketing from the University of Southern California in May 2001.

Joint Company Secretaries

Mr. Albert Da Zhu (朱達) is a joint company secretary of the Company. He is also an executive Director of our Company and our senior vice president of finance and business operations. For further details, please see the paragraphs headed "Executive Directors" in "Directors" section.

Ms. Leung Kwan Wai (梁君慧) is a joint company secretary of the Company. Ms. Leung is a manager of Corporate Services of Tricor Services Limited ("Tricor"). Tricor is a global professional services provider specializing in business, corporate and investor services. Ms. Leung has over 15 years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Leung is currently the joint company secretary of China XLX Fertiliser Ltd. 中國心連心化肥有限公司 (stock code: 1866) and Qeeka Home (Cayman) Inc. 齊屹科技(開曼)有限公司 (stock code: 1739) and the company secretary of Modern Chinese Medicine Group Co., Ltd. 現代中藥集團有限公司 (stock code: 1643), all of which are listed on The Stock Exchange of Hong Kong Limited. Ms. Leung obtained her master's degree of Corporate Governance from Hong Kong Metropolitan University (formerly known as The Open University of Hong Kong) in November 2013. Ms. Leung is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Chartered Governance Institute (formerly 'The Hong Kong Institute of Chartered Secretaries') and The Chartered Governance Institute (formerly 'The Institute of Chartered Secretaries and Administrators') in the United Kingdom.

CHANGES TO DIRECTORS' INFORMATION

Save as disclosed in this annual report, the Directors confirm that there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Corporate Governance Report

The Board of Directors is pleased to present the corporate governance report of the Company for the period from the Listing Date up to December 31, 2021.

CORPORATE GOVERNANCE PRACTICES

The Company was incorporated under the laws of the British Virgin Islands on August 20, 2010 and continued in the Cayman Islands on March 26, 2021 as an exempted company with limited liability, and the Shares of the Company were listed on the Main Board of the Stock Exchange on September 29, 2021.

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures and to enhance the transparency and accountability of the Board to all Shareholders.

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders and to enhance corporate value and accountability. The Board will review the corporate governance structure and practices from time to time and shall make necessary arrangements when the Board considers appropriate.

Since the Listing Date and up to December 31, 2021, the Company has adopted and complied with all applicable principles and code provisions set out in the CG Code, except as disclosed in this Corporate Governance Report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own securities dealing code to regulate all dealings by Directors and relevant employees in securities of the Company and other matters covered by the Model Code.

The provisions under the Listing Rules in relation to compliance with the Model Code by the Directors regarding securities transactions have been applicable to the Company since the Listing Date. As the Shares of the Company were listed on the Stock Exchange as of September 29, 2021, the Model Code was applicable to the Company with effect from the Listing Date.

Having made specific enquiry, all Directors have confirmed that they have complied with the Model Code since the Listing Date and up to the Latest Practicable Date.

No incident of non-compliance of the Model Code was noted by the Company since the Listing Date up to the Latest Practicable Date.

Corporate Governance Report

BOARD OF DIRECTORS

The Board is responsible for the overall leadership of the Group, oversees the Group's businesses, strategic decisions, monitors performance and takes decisions objectively in the best interest of the Company.

The Board has delegated the authority and responsibilities for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the audit committee, the remuneration committee and the nomination committee. The Board has delegated to the Board committees responsibilities as set out in their respective terms of reference. All Board committees are provided with sufficient resources to perform their duties.

All Directors shall ensure that they carry out their duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its Shareholders at all times.

BOARD COMPOSITION

As at the Latest Practicable Date, the Board comprises four executive Directors, one non-executive Director and three independent non-executive Directors.

The composition of the Board is as follows:

Executive Directors

Dr. Xueming Qian (錢雪明) *(Chief Executive Officer)*
Dr. Michael Ming Shi (石明) *(Chief Medical Officer)*
Mr. Albert Da Zhu (朱達)
Mr. Xiaolu Weng (翁曉路) *(Chief Financial Officer)*

Non-executive Director

Dr. Yining (Jonathan) Zhao (趙奕寧) *(Chairman of the Board)*

Independent non-executive Directors

Mr. Jiasong Tang (唐稼松)
Dr. Jun Bao (包駿)
Mr. Zhihua Zhang (張志華)

The biographical details of the Directors are set out in the section headed "Directors and Senior Management" on pages 48 to 53 of this annual report.

To the best knowledge of the Company, none of the members of the Board is related to one another.

Corporate Governance Report

BOARD MEETINGS, COMMITTEE MEETINGS AND GENERAL MEETINGS

Pursuant to code provision A.1.1 of the CG Code, Board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communication. The Company had held four Board meetings during the Reporting Period.

A summary of the attendance record of the Directors at Board meetings, committee meetings and general meetings during Reporting Period is set out in the following table below:

	Number of meeting(s) attended/number of meeting(s) held during the Reporting Period				
Name of Directors	Board meeting(s)	Audit Committee meeting(s)	Remuneration Committee meeting(s)	Nomination Committee meeting(s)	General meeting(s)
Executive Directors:					
Dr. Xueming Qian	4/4	N/A	N/A	1/1	N/A
Dr. Michael Ming Shi	4/4	N/A	N/A	N/A	N/A
Mr. Albert Da Zhu	4/4	N/A	N/A	N/A	N/A
Mr. Xiaolu Weng	N/A	N/A	N/A	N/A	N/A
Non-executive Director:					
Dr. Yining (Jonathan) Zhao	4/4	2/2	N/A	N/A	N/A
Independent Non-executive Directors:					
Mr. Jiasong Tang	2/4	2/2	2/2	N/A	N/A
Dr. Jun Bao	2/4	N/A	2/2	1/1	N/A
Mr. Zhihua Zhang	2/4	2/2	2/2	1/1	N/A

Apart from regular Board Meetings, the Chairman of the Board also held one meeting with the independent non-executive Directors without the presence of other Directors during the Reporting Period.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of Chairman of the Board and Chief Executive Officer are held by Dr. Yining (Jonathan) Zhao and Dr. Xueming Qian respectively. The Chairman of the Board provides leadership and is responsible for the effective functioning and leadership of the Board as well as provides overall guidance on the business, strategy and corporate development of the Group. The Chief Executive Officer focuses on the overall management of the business, strategy and corporate development of the Group.

Corporate Governance Report

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

During the period from the Listing Date and up to the Latest Practicable Date, the Board has at all times met the requirements under Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The procedures and process of appointment, re-election and removal of Directors are laid down in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment of Directors and succession planning for Directors and assessing the independence of independent non-executive Directors.

All Directors will hold office subject to provision of retirement by rotation and re-election at annual general meeting. Pursuant to Article 108(a) of the Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office.

Accordingly, the following Directors, Dr. Michael Ming Shi, Mr. Albert Da Zhu, Mr. Xiaolu Weng and Dr. Jun Bao shall retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board is the primary decision making body of the Company and is responsible for overseeing the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board makes decisions objectively in the interests of the Company.

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

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

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

Corporate Governance Report

The Board reserves for its decision on all major matters relating to policy matters, strategies, budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the Group's senior management whom are responsible for overseeing the general operation, business development, finance, marketing and operations.

The Board has clearly set out the circumstances under which the management should report to and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company. The Board regularly reviews the above said circumstances and ensures they remain appropriate.

DIRECTORS' AND OFFICERS' LIABILITIES INSURANCE

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

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing particular aspects of the Company's affairs. Each of these committees is established with defined written terms of reference.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in accordance with Rule 3.21 of the Listing Rules and the CG Code. The audit committee comprises of three non-executive Directors (including independent non-executive Directors), namely, Mr. Jiasong Tang, Dr. Yining (Jonathan) Zhao and Mr. Zhihua Zhang. Mr. Jiasong Tang is the chairman of the Audit Committee.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of the Group, review and approve connected transactions (if any) and to provide advice and comments to the Board. The terms of reference of the Audit Committee is available on the websites of the Company and the Stock Exchange.

Corporate Governance Report

As the Company was only listed on the Stock Exchange on September 29, 2021, the Audit Committee had only held two meetings during the Reporting Period. The following is a summary of work performed by the Audit Committee during the Reporting Period:

- reviewed the annual and interim results and report, the Group's financial and accounting policies and practices and the scope of audit and appointment of auditors;
- reviewed the financial controls system and engagement of non-audit services;
- reviewed the risk management and internal control systems and internal audit function and discussed with the management and internal audit on their findings; and
- discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the Reporting Period and has met with the independent auditor, Deloitte Touche Tohmatsu. The Audit Committee considered that the annual results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. The Remuneration Committee comprises three non-executive Directors (including independent non-executive Directors), namely Dr. Jun Bao, Mr. Jiasong Tang and Mr. Zhihua Zhang. Dr. Jun Bao is the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to the Directors and other senior management. The terms of reference of the Remuneration Committee is available on the websites of the Company and the Stock Exchange.

Corporate Governance Report

As the Company was only listed on the Stock Exchange on September 29, 2021, the Remuneration Committee had only held two meetings during the Reporting Period. The following is a summary of work performed by the Remuneration Committee during the Reporting Period:

- assessed the performance of executive Directors;
- reviewed and made recommendations to the Board on the remuneration package of the individual executive Directors and senior management;
- reviewed and made recommendations to the Board on the remuneration of the non-executive Director;
- reviewed and made recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management; and
- reviewed and made recommendations to the Board on the Company's option grant and restricted share unit plan to the key talents in 2021.

Details of the fees and other emoluments paid or payable to the Directors for the Reporting Period are set out in note 12 to the consolidated financial statements contained in this annual report.

The remuneration of the members of senior management (excluding the Directors) of the Group by band for the Reporting Period is set out below:

	Year ended 31 December	
	2021 senior management	2020 senior management
HK$2,000,001 to HK$2,500,000	**1**	–
HK$3,000,001 to HK$3,500,000	**1**	–
HK$4,000,001 to HK$4,500,000	**1**	–
HK$4,500,001 to HK$5,000,000	**2**	–
HK$5,000,001 to HK$5,500,000	**–**	1
HK$5,500,001 to HK$6,000,000	**–**	2
HK$7,500,001 to HK$8,000,000	**–**	1
HK$8,000,001 to HK$8,500,000	**–**	1
	5	5

Corporate Governance Report

NOMINATION COMMITTEE

The Company established the Nomination Committee with written terms of reference in compliance with the CG Code. The Nomination Committee comprises one executive Director, namely Dr. Xueming Qian, and two independent non-executive Directors, namely Mr. Zhihua Zhang and Dr. Jun Bao. Mr. Zhihua Zhang is the chairman of the Nomination Committee.

The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and management of Board succession. The terms of reference of the Nomination Committee is available on the websites of the Company and the Stock Exchange.

As the Company was only listed on the Stock Exchange on September 29, 2021, the Nomination Committee had only held one meeting during the Reporting Period. The following is a summary of work performed by the Nomination Committee during the Reporting Period:

- disclosed the policy for the nomination of Directors;
- assessed the independence of the independent non-executive Directors;
- considered and/or made recommendations to the Board on the re-election of directors;
- reviewed the structure, size and composition of the Board; and
- made recommendations to the Board on introducing new senior management.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board diversity policy, details of which will be set out in the section headed "Board Diversity Policy".

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence (for appointment of independent non-executive Directors), and Board diversity aspects, where appropriate, before making recommendation to the Board. The details of which will be set out in the section headed "Director Nomination Policy".

BOARD DIVERSITY POLICY

The Company has adopted a board diversity policy (the "Diversity Policy") in accordance with the CG Code, which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining the Company's competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talent.

Corporate Governance Report

Pursuant to the Diversity Policy, in reviewing and assessing suitable candidates to serve as a Director of the Company, the Nomination Committee will consider a number of aspects, including, but not limited to, gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience. The Company is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered. Pursuant to the Diversity Policy, the Nomination Committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on the Board and recommend them to the Board for adoption. At present, the Board considered an appropriate balance of diversity perspectives of the Board is maintained and has not set any measurable objectives.

Going forward, the Company will continue to work on enhancing the gender diversity of the Board. The Nomination Committee will use its best endeavours and on suitable basis to, within one year of the Listing Date, identify and recommend at least one female candidate to the Board for its consideration on appointment of a Director. In addition, it is noted that two members of the Group's senior management are female and are included as potential candidates to the Board. The Company will also ensure that there is gender diversity when recruiting staff at mid to senior level (with reference to the Diversity Policy) so that it will have a pipeline of female senior management and potential successors to the Board in due time to ensure gender diversity of the Board.

The Nomination Committee will review the Diversity Policy, as appropriate, to ensure its effectiveness.

DIRECTOR NOMINATION POLICY

On June 22, 2021, the Company adopted a director nomination policy (the "Director Nomination Policy") in accordance with the CG Code. The Director Nomination Policy sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

The Nomination Committee shall identify, consider and recommend to the Board appropriate candidates to serve as Directors and to make recommendations to the Shareholders. The ultimate responsibility for selection and appointment of Directors rests with the entire Board.

The Director Nomination Policy sets out the non-exhaustive factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- reputation for integrity;
- professional qualifications and skills;
- accomplishment and experience in the biopharmaceutical sector;
- commitment in respect of available time and relevant interest;
- independence of proposed independent non-executive Directors; and
- diversity in all aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, and length of service.

Corporate Governance Report

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings.

In terms of succession planning, the following considerations will be used by the Nomination Committee in making recommendations:

- required knowledge, skills and experience at a full Board composite level to effectively fulfil the Board's legal role and responsibilities;
- an appropriate balance of diversity across the Board;
- personal qualities of each candidates;
- continuity through a smooth succession of Directors; and
- compliance with the relevant legal and regulatory requirements.

The Nomination Committee will review the Director Nomination Policy, as appropriate, and recommend revision to the Board for consideration and approval.

CORPORATE GOVERNANCE FUNCTION

The Board would review the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, and the Company's compliance with the CG Code and disclosure in its Corporate Governance Report. The Board has performed the above duties during the Reporting Period.

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

DIVIDEND POLICY

Code provision E.1.5 of the CG Code provides that the issuer should have a policy on payment of dividends and should disclose such policy in the annual report. As the Company was in a loss-making position as at December 31, 2021, it had not implemented such policy for the year ended December 31, 2021. The Company has adopted a dividend policy effective as of March 22, 2021.

The Company does not have any pre-determined dividend payout ratio and currently intends to retain most, if not all, of the available funds and any future earnings to operate and expand its business. Dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the shareholders' approval.

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

Corporate Governance Report

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the Reporting Period.

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

A statement by the independent auditor of the Company, Deloitte Touche Tohmatsu, about their reporting responsibilities on the consolidated financial statements is included in the Independent Auditors' Report on pages 70 to 73 of this annual report.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Pursuant to code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant.

Every newly appointed Director should receive formal, comprehensive and tailored training on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

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

Prior to the Listing, all of the Directors, namely, Dr. Xueming Qian, Dr. Michael Ming Shi, Mr. Albert Da Zhu, Dr. Yining (Jonathan) Zhao, Mr. Jiasong Tang, Dr. Jun Bao and Mr. Zhihua Zhang participated in a training session conducted by Skadden, Arps, Slate, Meagher & Flom, our legal adviser as to Hong Kong law, on directors' duties, responsibilities and obligations under the Listing Rules and the SFO.

The Company arranges regular seminars to provide Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

Corporate Governance Report

The training records of the Directors for the Reporting Period are summarized as follows:

Name of Directors	Attending training, briefings, seminars, conferences and workshops relevant to the Company's industry and business, director's duties and/or corporate governance	Reading news alerts, newspapers, journals, magazines and publications relevant to the Company's industry and business, director's duties and/or corporate governance
Executive Directors:		
Dr. Xueming Qian	✓	✓
Dr. Michael Ming Shi	✓	✓
Mr. Albert Da Zhu	✓	✓
Mr. Xiaolu Weng	N/A (appointed on March 21, 2022)	N/A (appointed on March 21, 2022)
Non-executive Director:		
Dr. Yining (Jonathan) Zhao	✓	✓
Independent Non-executive Directors:		
Mr. Jiasong Tang	✓	✓
Dr. Jun Bao	✓	✓
Mr. Zhihua Zhang	✓	✓

AUDITORS' REMUNERATION

The Company appointed Deloitte Touche Tohmatsu as the external auditor for the Reporting Period. Details of the fees paid/payable in respect of the audit and non-audit services provided by Deloitte Touche Tohmatsu for the Reporting Period are set out in the table below:

SERVICES RENDERED FOR THE COMPANY

	Fees paid and payable RMB'000	**Total fees paid and payable RMB'000**
Audit service		**7,342**
– IPO services	5,062	
– Annual audit services	2,280	
Non-audit service		**2,167**
– Interim review	600	
– Tax advising services	1,299	
– Internal control for the listing	268	
Total	**9,509**	**9,509**

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the Company's risk management and internal control systems and reviewing their effectiveness. The risk management and internal control measures are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. During the Reporting Period, the Board had conducted a review of the effectiveness of the risk management internal control system of the Company and considered the system effective and adequate.

The Group has established an internal audit department and has designated the relevant personnel who will be responsible for identifying and monitoring the Group's risks and internal control issues and reports directly to the Board of any findings and follow-up actions. Each member of the Group is required to adhere strictly to the Group's internal control procedures and report to the internal control team of any risks or internal control measures.

The Group has also adopted an information disclosure policy which sets out comprehensive guidelines in respect of handling and dissemination of inside information. The Board is responsible for monitoring and implementing the procedural requirements in the information disclosure policy. Release of inside information shall be overseen by the Board. Unless authorized by the Board, staff members of the Group are not permitted to disseminate inside information relating to the Group to any external parties and are not permitted to respond to media or market speculation which may materially affect the trading price or volume of the Shares on the market.

In the ordinary course of the Group's business, sensitive data is collected and stored, including, among other things, identity information about our employees, intellectual property, and proprietary business information. The Group manages and maintains our applications and data utilizing on-site systems. These applications and data encompass a wide variety of business critical information including commercial information, and business and financial information. The Group has implemented relevant internal procedures and controls to ensure that such sensitive data is protected and that leakage and loss of such data is avoided.

The Company's Audit Committee and management together monitor the implementation of our risk management policies on an ongoing basis to ensure our policies and implementation are effective and sufficient. Arrangements are in place to identify, evaluate and manage significant risks including facilitating employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company. Our management, under the supervision of our Board or a committee of our Board takes reasonable steps to (i) monitor compliance with the code, and (ii) when appropriate, impose and enforce appropriate disciplinary measures for violations of the code.

Corporate Governance Report

RISK MANAGEMENT

The Company recognize that risk management is critical to the success of our business operation. We have adopted a consolidated set of risk management policies which set out a risk management framework to identify, assess, evaluate and monitor key risks associated with our strategic objectives on an on-going basis. Our audit committee, and ultimately the Board supervise the implementation of our risk management policies.

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

- Our audit committee will oversee and manage the overall risks associated with our business operations, including (i) reviewing and approving our risk management policy; (ii) discussing with senior management to ensure that effective risk management system is in place; and (iii) evaluating any major investigation findings on risk management and internal control and our senior management's responses to these findings.
- Our audit department is responsible for establishing our risk management system and supervising and evaluating its operations.
- The relevant departments in our Company, including but not limited to the finance department, the human resource department and the legal and compliance department, are responsible for implementing our risk management policy and carrying out our day-to-day risk management practice. In order to formalize risk management across our Group and set a common level of transparency and risk management performance, the relevant departments will (i) gather information about the risks relating to their operation or function; (ii) conduct risk assessments, which include the identification, prioritization, measurement and categorization of all key risks; (iii) regularly prepare risk management reports for the audit department's review; (iv) continuously monitor the key risks relating to their operation or function; (v) implement appropriate risk responses where necessary; and (vi) develop and maintain an appropriate mechanism to facilitate the application of our risk management framework.

INTERNAL CONTROL

During the Reporting Period, we regularly reviewed and enhanced our internal control system. Below is a summary of the internal control policies, measures and procedures we have implemented:

- We have adopted various measures and procedures regarding each aspect of our business operation, such as related party transaction, risk management, protection of intellectual property, environmental protection and occupational health and safety. We also periodically review our compliance status with all relevant laws and regulations.
- We provide periodic training about these measures and procedures to our employees as part of our employee training program. Our internal audit department conducts audit field work to monitor the implementation of our internal control policies, reports the weakness identified to our management and audit committee and follows up on the rectification actions.
- We have established an audit committee which (i) makes recommendations to our Board on the appointment and removal of external auditors; and (ii) reviews the financial statements and renders advice in respect of financial reporting as well as oversees internal control procedures of our Group.

Corporate Governance Report

- We have established compliance management systems of anti-corruption, anti-bribery, reporting and investigation, and complying with laws and regulations. We integrate the compliance awareness into employees' daily work to ensure the business is conducted in compliance and effectiveness.
- We have engaged a PRC law firm to advise us on and keep us abreast with PRC laws and regulations after the Listing. We will continue to arrange various trainings from time to time when necessary and/or any appropriate accredited institution to update our directors, senior management, and relevant employees on the latest PRC laws and regulations.
- We maintain strict anti-corruption policies among our employees in our sales and marketing activities and we believe we will therefore be less affected by the increasingly stringent measures taken by the PRC government to correct corruptive practices in the pharmaceutical industry.

JOINT COMPANY SECRETARIES

Mr. Albert Da Zhu, the joint company secretary of the Company, is responsible for advising the Board on corporate governance matters and ensuring that Board policy and procedures, and applicable laws, rules and regulations are followed.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company has also externally engaged Ms. Leung Kwan Wai, a manager of Corporate Services Division of Tricor Services Limited, as another joint company secretary to assist Mr. Zhu in discharging the duties of a company secretary of the Company. Her primary contact person at the Company is Mr. Zhu.

During the Reporting Period, Mr. Albert Da Zhu and Ms. Leung Kwan Wai have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

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

CONVENING OF EXTRAORDINARY GENERAL MEETINGS ("EGM") BY SHAREHOLDERS

Pursuant to article 64 of the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two Months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Corporate Governance Report

PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Companies Law of Cayman Islands (as revised and amended from time to time) or the Articles of Association. However, shareholders who wish to put forward proposals at general meetings may achieve so by means of convening an extraordinary general meeting following the procedures set out in paragraph above.

Detailed procedures for Shareholders to propose a person for election as a director of the Company are published on the Company's website.

PUTTING FORWARD ENQUIRIES TO THE BOARD

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

CONTACT DETAILS

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

Address: B6-501, 218 Xinghu Street, Biobay B6-501, Suzhou 215123, China
Telephone: 021-6237-0929*6000
Email: ir@transcenta.com

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavors to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the forthcoming AGM, Directors (or their delegates as appropriate), management executives and external auditor will use all reasonable endeavors to attend and answer enquiries from the Shareholders.

To promote effective communication, the Company maintains a website at http://www.transcenta.com/, where information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access. The primary focus of the Company is to ensure information disclosure is timely, fair, accurate, truthful and does not contain any material omission, thereby enabling Shareholders, investors as well as the public to make rational and informed decisions.

CHANGES IN CONSTITUTIONAL DOCUMENTS

The Company had passed a special resolution on June 18, 2021 to adopt an amended and restated memorandum and articles of association which came into effective from the Listing Date. During the Reporting Period, the Company did not make any significant changes to its constitutional documents.

A latest version of the Articles of Association is available on the websites of the Company and the Stock Exchange.

Independent Auditor's Report

Deloitte. 德勤

TO THE SHAREHOLDERS OF TRANSCENTA HOLDING LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Transcenta Holding Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 74 to 155, which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

Independent Auditor's Report

KEY AUDIT MATTER

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

Key audit matter	How our audit addressed the key audit matter
Cut-off of research and development expenses	
As disclosed in consolidated statement of profit or loss and other comprehensive income, the Group incurred significant research and development ("R&D") expenses of RMB344, 370, 000 for the year ended December 31, 2021. Service fees of approximately RMB36,100,000 were accrued as at December 31, 2021 to outsourced service providers including contract research organisations and clinical trial centres (collectively referred to as the "Outsourced Service Providers") as set out in Note 25 to the consolidated financial statements. We identified the cut-off of R&D expenses as a key audit matter due to its significant amount and risk of not accruing R&D costs incurred for services provided by the Outsourced Service Providers in the appropriate reporting period.	Our procedures in relation to the cut-off of R&D expenses included: • Obtaining an understanding of key controls, management's basis and assessment in relation to the accrual process of the R&D expenses including service fees incurred to Outsourced Service Providers; and • Obtaining the list of expenses accrued to the Outsourced Service Providers as of December 31, 2021, on a sample basis, reading the key terms set out in the agreements and verifying the completion status with reference to the progress reported by the representatives of the Outsourced Service Providers, to determine whether the service fees were properly accrued based on the respective contract sums, progress and/or milestones achieved, as appropriate, as of the end of the reporting period.

OTHER INFORMATION

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

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

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

Independent Auditor's Report

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditor's Report

- Conclude on the appropriateness of the directors of the Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, 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 the independent auditor's report is Cheung, Wilfred.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 21, 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED DECEMBER 31, 2021

	NOTES	Year ended December 31, **2021** RMB'000	2020 RMB'000
Revenue	5	**50,242**	80,980
Cost of sales		**(40,874)**	(62,778)
Gross profit		**9,368**	18,202
Other income	7	**32,906**	11,944
Other gains and losses, net	8	**(1,199,972)**	26,745
Research and development expenses		**(344,370)**	(200,312)
Administrative and selling expenses		**(145,215)**	(157,949)
Listing expenses		**(48,605)**	(5,570)
Impairment losses under expected credit loss model	37	**(1,641)**	–
Share of loss of a joint venture		**(2,952)**	–
Finance costs	9	**(15,167)**	(16,070)
Loss before tax	10	**(1,715,648)**	(323,010)
Income tax credit	11	**105**	110
Loss for the year		**(1,715,543)**	(322,900)
Other comprehensive income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of a foreign operation		**1,751**	3,359
		(1,713,792)	(319,541)
Loss for the year attributable to:			
– Owners of the Company		**(1,715,543)**	(316,626)
– Non-controlling interests		**–**	(6,274)
		(1,715,543)	(322,900)
Total comprehensive expenses for the year attributable to:			
– Owners of the Company		**(1,713,792)**	(313,267)
– Non-controlling interests		**–**	(6,274)
		(1,713,792)	(319,541)
Loss per share			
– Basic and diluted (RMB)	13	**(9.34)**	(4.53)

Consolidated Statement of Financial Position

AS AT DECEMBER 31, 2021

	NOTES	At December 31, 2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment	15	**435,103**	449,176
Intangible assets	16	**96,135**	95,781
Right-of-use assets	17	**38,057**	24,057
Goodwill	18	**471,901**	471,901
Interests in a joint venture	19	**24,364**	–
Value-added-tax ("VAT") recoverable		**64,647**	62,954
Deposits paid for acquisition of property, plant and equipment		**11,719**	2,169
Other receivables	21	**1,316**	10,085
Amounts due from related parties	23	**–**	77,250
Restricted bank deposits	24	**6,111**	6,094
		1,149,353	1,199,467
Current assets			
Inventories	20	**20,792**	7,901
Trade and other receivables	21	**43,380**	31,635
Contract costs	22	**33,275**	38,329
Amounts due from related parties	23	**76,129**	–
Bank balances and cash	24	**1,222,026**	813,592
		1,395,602	891,457
Current liabilities			
Trade and other payables	25	**101,964**	88,690
Amount due to a director	23	**268**	–
Contract liabilities	26	**35,967**	7,029
Bank borrowings	27	**273,339**	91,312
Lease liabilities	28	**6,272**	7,506
Deferred income	29	**8,000**	–
		425,810	194,537
Net current assets		**969,792**	696,920
Total assets less current liabilities		**2,119,145**	1,896,387

Consolidated Statement of Financial Position

AS AT DECEMBER 31, 2021

	NOTES	At December 31, **2021** **RMB'000**	2020 RMB'000
Non-current liabilities			
Bank borrowings	27	**77,390**	145,938
Lease liabilities	28	**7,710**	9,543
Deferred income	29	**42,868**	57,200
Financial liabilities at fair value through profit or loss ("FVTPL")	30	**–**	2,474,233
Deferred tax liabilities	31	**25,608**	25,718
		153,576	2,712,632
Net assets (liabilities)		**1,965,569**	(816,245)
Capital and reserves			
Share capital	32	**291**	66
Treasury shares		**(7)**	–
Reserves		**1,965,285**	(816,311)
Total equity (deficits)		**1,965,569**	(816,245)

The consolidated financial statements on pages 74 to 155 were approved and authorised for issue by the Board of Directors on March 21, 2022 and signed on its behalf by:

Qian Xueming
Director

Michael Ming Shi
Director

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED DECEMBER 31, 2021

	Attributable to owners of the Company									
	Share capital	Share premium	Treasury shares	Other reserves	Share-based payment reserves	Accumulated losses	Translation reserves	Subtotal	Non-controlling interests	Total
	RMB'000	RMB'000		RMB'000	RMB'000 (Note)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2020	44	69,614	–	(405,779)	106,812	(607,635)	(23)	(836,967)	200,807	(636,160)
Loss and total comprehensive expenses for the year	–	–	–	–	–	(316,626)	3,359	(313,267)	(6,274)	(319,541)
Issuance of ordinary shares	–*	3,327	–	–	–	–	–	3,327	–	3,327
Recognition of equity-settled share-based payment (Note 33)	–	–	–	(2,343)	111,869	–	–	109,526	2,343	111,869
Repurchase and cancelation of shares (Note 32)	(2)	(37,888)	–	–	–	–	–	(37,890)	–	(37,890)
Acquisition of non-controlling interests	–	–	–	(19,117)	–	–	–	(19,117)	(882)	(19,999)
Exercise of share options	24	254,717	–	–	(172,592)	–	–	82,149	–	82,149
Net effect of share purchase options written to non-controlling shareholders and exercise of share purchase options (Note 30)	–	–	–	195,994	–	–	–	195,994	(195,994)	–
At December 31, 2020	66	289,770	–	(231,245)	46,089	(924,261)	3,336	(816,245)	–	(816,245)
Loss and total comprehensive expenses for the year	**–**	**–**	**–**	**–**	**–**	**(1,715,543)**	**1,751**	**(1,713,792)**	**–**	**(1,713,792)**
Recognition of equity-settled share-based payment (Note 33)	**–**	**–**	**–**	**–**	**30,578**	**–**	**–**	**30,578**	**–**	**30,578**
Exercise of share options	**–***	**2,256**	**–**	**–**	**(2,007)**	**–**	**–**	**249**	**–**	**249**
Issuance of treasury shares (Note 32)	**5**	**–**	**(5)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Issuance of shares hold on trust (Note 32)	**2**	**–**	**(2)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Automatic conversion of Preferred Shares upon initial public offering ("IPO")	**192**	**3,950,506**	**–**	**–**	**–**	**–**	**–**	**3,950,698**	**–**	**3,950,698**
Issue of new shares pursuant to IPO	**26**	**536,008**	**–**	**–**	**–**	**–**	**–**	**536,034**	**–**	**536,034**
Transaction costs attributable to issuance of new shares	**–**	**(21,953)**	**–**	**–**	**–**	**–**	**–**	**(21,953)**	**–**	**(21,953)**
At December 31, 2021	**291**	**4,756,587**	**(7)**	**(231,245)**	**74,660**	**(2,639,804)**	**5,087**	**1,965,569**	**–**	**1,965,569**

Note: Other reserves include i) effect of share purchase options written to non-controlling shareholders of Mabspace Biosciences (Suzhou) Co., Ltd.** ("Suzhou Transcenta Therapeutics Co., Ltd") (蘇州創勝集團醫藥有限公司) and HJB (Hangzhou) Co., Ltd.** ("HJB Hangzhou") (杭州奕安濟世生物藥業有限公司) for converting their equity interests in Mabspace Suzhou and HJB Hangzhou to the Preferred Shares of Transcenta Holding Limited (the "Company"); ii) effect of exercise of such share purchase options by these non-controlling shareholders, and iii) difference between the consideration paid and share of subsidiaries net assets acquired from non- controlling shareholders.

* Amount is less than RMB1,000.

** English names are for identification only

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED DECEMBER 31, 2021

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
OPERATING ACTIVITIES		
Loss before tax	**(1,715,648)**	(323,010)
Adjustments for:		
Interest on bank borrowings	**14,665**	15,463
Interest on lease liabilities	**502**	607
Bank interest income	**(4,587)**	(5,863)
Promissory note interest income	**(3,202)**	–
Share of loss of a joint venture	**2,952**	–
Depreciation of property, plant and equipment	**46,757**	33,382
Depreciation of right-of-use assets	**5,312**	8,140
Amortisation of intangible assets	**412**	606
Amortisation of deferred income	**(8,000)**	–
Impairment losses under expected credit loss model	**1,641**	–
Net foreign exchange loss	**18,389**	33,436
Loss on disposal of property, plant and equipment	**37**	9
Share-based payment expenses	**30,578**	111,869
Fair value change of financial liabilities at FVTPL	**1,198,173**	(37,926)
Transaction costs for issuance of Preferred Shares	**–**	9,560
Gain on deemed disposal of interests in a joint venture	**(26,816)**	–
Operating cash flow before movements in working capital	**(438,835)**	(153,727)
Increase in trade and other receivables	**(7,503)**	(22,157)
Increase in inventories	**(12,891)**	(1,586)
Decrease (increase) in contract costs	**10,129**	(25,524)
Increase in VAT recoverable	**(1,693)**	(5,763)
Increase in trade and other payables	**35,425**	27,806
Increase in amount due to a director	**268**	–
Increase in deferred income	**1,668**	16,100
Increase (decrease) in contract liabilities	**28,938**	(9,547)
Cash used in operations	**(384,494)**	(174,398)
Income tax paid	**(5)**	–
NET CASH USED IN OPERATING ACTIVITIES	**(384,499)**	(174,398)

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED DECEMBER 31, 2021

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
INVESTING ACTIVITIES		
Interest received from banks	**4,818**	5,632
Proceeds from disposal of property, plant and equipment	**–**	127
Purchase of and deposits paid for property, plant and equipment	**(54,616)**	(63,329)
Payment for right-of-use assets	**(17,915)**	–
Payment of rental deposits	**(957)**	–
Withdrawn of rental deposits	**228**	–
Purchase of intangible assets	**(810)**	–
Placement of restricted bank deposits	**(17)**	(168)
Investment in a joint venture	**(500)**	–
NET CASH USED IN INVESTING ACTIVITIES	**(69,769)**	(57,738)
FINANCING ACTIVITIES		
New bank borrowings raised	**247,949**	126,135
Repayment of bank borrowings	**(134,098)**	(137,139)
Repayments of lease liabilities	**(5,688)**	(8,370)
Proceeds from issuance of Preferred Shares	**278,292**	1,035,476
Transaction costs attributable to issuance of Preferred Shares	**(7,019)**	(10,811)
Payment on repurchase and cancelation of ordinary shares	**–**	(37,890)
Receipt of proceeds in connection to exercise of share options	**340**	3,471
Issuance of ordinary shares	**536,034**	3,327
Consideration paid for acquisition of non-controlling interests	**–**	(574,806)
Capital injection from non-controlling shareholders to subsidiaries	**–**	236,871
Issue costs paid	**(21,393)**	(560)
Interest paid	**(14,705)**	(15,532)
NET CASH FROM FINANCING ACTIVITIES	**879,712**	620,172
NET INCREASE IN CASH AND CASH EQUIVALENTS	**425,444**	388,036
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR, REPRESENTING BY BANK BALANCES AND CASH	**813,592**	458,100
Effects of exchange rate changes	**(17,010)**	(32,544)
CASH AND CASH EQUIVALENTS AT THE END OF YEAR, REPRESENTING BY BANK BALANCES AND CASH	**1,222,026**	813,592

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

1. GENERAL INFORMATION

Transcenta Holding Limited (the "Company") was incorporated in the British Virgin Islands as an exempted company with limited liability on August 20, 2010, and re-domiciled to the Cayman Islands on March 26, 2021 as an exempted company with limited liability under the laws of Cayman Islands. On September 29, 2021, the Company's shares became listed on the Main Board of the Stock Exchange of Hong Kong Limited. The respective address of the registered office and the principal place of business of the Company are set out in the section headed "Corporate Information" section to the annual report.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") is an integrated biopharma platform that brings drug candidates from the discovery stage to the commercial stage, spanning discovery, research, development, manufacturing and commercialization.

The functional currency of the Company is RMB, which is the same as the presentation currency of the consolidated financial statements.

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

The Group has consistently applied all the new and amendments to IFRSs issued by the International Accounting Standards Board (the "IASB"), that are effective for the Group's accounting period beginning on January 1, 2021 for the years ended December 31, 2020 and 2021.

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realizable value of inventories.

New and amendments to IFRSs in issue but not yet effective

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

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

1 Effective for annual periods beginning on or after April 1, 2021.

2 Effective for annual periods beginning on or after January 1, 2022.

3 Effective for annual periods beginning on or after January 1, 2023.

4 Effective for annual periods beginning on or after a date to be determined.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

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

New and amendments to IFRSs in issue but not yet effective (Continued)

Except disclosed below, the directors of the Company anticipate that the application of these new and amendments to IFRSs will have no material impact on the Group's consolidated financial statements in the foreseeable future.

Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

As disclosed in Note 3 to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early application permitted. As at December 31, 2021, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to RMB13,141,000 and RMB13,982,000, respectively. The Group is still in the process of assessing the full impact of the application of the amendments. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of accumulated losses (or other component of equity, as appropriate) at the beginning of the earliest comparative period presented.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets* (*"IAS 36"*).

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

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

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

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

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

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

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

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

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

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash generating units).

Investment in a joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of the joint venture are incorporated the consolidated financial statements using the equity method of accounting. The financial statements of the joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment in a joint venture (Continued)

The Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods of services underlying the particular performance obligation is transferred to customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

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

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers (Continued)

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provide by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Contract costs

Costs to fulfill a contract

The Group incurs costs to fulfill a contract in its service contracts. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

(b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

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

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases and leases of low-value assets

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

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee (Continued)

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

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

Lease modifications

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases (Continued)

The Group as a lessee (Continued)

Lease modifications *(Continued)*

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

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

Foreign currencies

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

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

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

Borrowing costs

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants

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

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

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

Retirement benefit costs

The Group participates in state-managed retirement benefit schemes, which are defined contribution schemes, pursuant to which the Group pays a fixed percentage of its staff's wages as contributions to the plans. Payments to such retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

A subsidiary in the United States of America (the "USA") adopted a qualified defined contribution plan covering all its eligible employees. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended. Employees become eligible to participate in the plan on the first of the calendar month following the date the employee meets the eligibility requirements as defined. As defined by the plan, participants may contribute up to United States dollar ("US$") 19,500 of pretax annual compensation. Participants who reach age 50 may elect to make catch-up contributions US$6,500. The subsidiary contributes matching contribution of 3% of each eligible participant's compensation.

Short-term employee benefits

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Equity-settled share-based payment transactions

Shares/Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

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

When share options are exercised or the restricted ordinary shares are vested, the amount previously recognised in share-based payment reserves will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payment reserve will be transferred to accumulated losses.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation (Continued)

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

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

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

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

Current and deferred tax are recognised in profit or loss. When current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress as described below are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment (Continued)

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

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

Intangible assets

Intangible assets acquired separately

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

Internally-generated intangible assets-research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development activities is recognised if, and only if, all of the following have been demonstrated:

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets (Continued)

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

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

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

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination that are not ready for use are reported at costs less any impairment losses.

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

Impairment on property, plant and equipment, right-of-use assets, contract costs and intangible assets other than goodwill

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment on property, plant and equipment, right-of-use assets, contract costs and intangible assets other than goodwill (Continued)

Before the Group recognises an impairment loss for assets capitalized as contract costs under IFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalized as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalized as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

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

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

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

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventories are determined on a weighted average method. Net realizable value represents the estimate selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sales and non-incremental costs which the Group must incur to make the sale.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

All other financial assets are subsequently measured at fair value.

Amortised cost and interest income

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

The Group performs impairment assessment under expected credit losses ("ECL") model on financial assets (including trade and other receivables, amounts due from related parties, bank balances and restricted bank deposits) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables. The ECL on trade receivable is assessed individually.

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

(i) Significant increase in credit risk

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets *(Continued)*

(i) Significant increase in credit risk *(Continued)*

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

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

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

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets *(Continued)*

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables, where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the assets expire.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments (Continued)

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity interests is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancelation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is designated as at FVTPL.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated losses upon derecognition of the financial liability.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities *(Continued)*

Preferred shares

Preferred shares, which contain redemption features and other embedded derivatives, are classified as at financial liabilities FVTPL and are measured at fair value.

Obligation arising from put options over the ordinary shares of subsidiaries written to non-controlling shareholders

The gross financial liability arising from the share purchase options written by the Company is recognised when contractual obligation to repurchase the equity interest in a subsidiary for preferred shares of the Company is established even if the obligation is conditional on the counterparty exercising a right to sell back the shares to the Group. The liability for the share purchase options written is initially recognised at fair value of the financial instruments to be issued to exchange for the equity interest in a subsidiary with the corresponding debit to "other reserves". Prior to the exercise of the put options by non-controlling shareholders for preferred shares of the Company, the remeasurement of the estimated gross obligations under the put options to the non-controlling shareholders is recognised in the profit or loss.

Share purchase options

Share purchase options written by the Company to non-controlling shareholders of subsidiaries for preferred shares of the Company are accounted for as derivatives and are recognised at fair value upon initial recognition. Any changes of their fair values in subsequent reporting dates are recognised in the profit or loss.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, amount due to a director and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'other gains and losses' line item in profit or loss.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at each end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity (Continued)

Financial liabilities *(Continued)*

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, canceled have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off recognised amounts, and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Critical judgments in applying accounting policies

Research and development expenses

Development expenses incurred on the Group's drug product pipelines are capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, the Group's intention to complete and the Group's ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Development expenses which do not meet these criteria are expensed when incurred. Management assesses the progress of each of the research and development projects and determine whether the criteria are met for capitalization. During the year ended December 31, 2021, all research and development costs are expensed when incurred.

Key sources of estimation uncertainty

The key assumption concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the coming twelve months, is described below.

Estimated impairment of intangible assets not ready for use

Intangible assets not ready for use are tested annually for impairment, or more frequently, if events or changes in circumstances indicate that they might be impaired. The Group obtained in-licenses through separate acquisition to continue research and development work and commercialize the products, which are classified as intangible assets not ready for use.

Determining whether intangible assets not ready for use is impaired requires an estimation of recoverable amount of the cash-generating unit to which the intangible assets belong, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arising from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further loss may arise.

As at December 31, 2021, the carrying amount of intangible assets not ready for use is RMB95,433,000 (2020: RMB95,433,000). No impairment loss was recognised during the year ended December 31, 2021 (2020: nil). Details of the recoverable amount calculation are disclosed in Note 16.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

5. REVENUE

The Group provides contract development and manufacturing ("CDMO") services and research and development services. CDMO services stands as an integrated platform to support the development of manufacturing processes and the production of advanced intermediates and active pharmaceutical ingredients and formulation development and dosage drug product manufacturing, for preclinical, clinical trials, new drug application, and commercial supply of chemical drugs as well as wide spectrum development from early to late stage. The research and development services are mainly for investigational new drug enabling studies based on customers' needs.

The Group primarily earns revenues by providing CDMO services and research and development services to its customers through fee-for-service ("FFS") contracts. Contract duration is generally a few months. Under FFS method, the contracts usually have multiple deliverable units, which are generally in the form of technical laboratory reports and/or samples, each with individual selling price specified within the contract. The Group identifies each deliverable unit as a separate performance obligation, and recognises FFS revenue of contractual elements at the point in time upon finalization, delivery and acceptance of the deliverable units.

Disaggregated revenue information:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
CDMO services	**44,200**	80,980
Research and development services	**6,042**	–
	50,242	80,980

The Group applies the practical expedient in IFRS 15 and does not disclose information about its remaining performance obligation as the performance obligation is part of a contract that has an original expected duration of one year or less.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

6. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components' of the Group that are regularly reviewed by the chief operating decision maker ("CODM"), which is also identified as the chief executive officer of the Group, in order to allocate resources to segments and to assess their performance. During the year, the CODM assesses the operating performance and allocated the resources of the Group as a whole as the Group is primarily engaged in the discovering, developing, manufacturing and commercializing novel drugs. Therefore, the CODM considers the Group only has one operating segment.

The CODM reviews the overall results and financial position of the Group as a whole prepared based on the same accounting policies as set out in Note 3 and no further analysis of the single segment is presented.

Geographical information

The Group's operations are located in the PRC and the USA.

All the Group's revenue from external customers is derived from the PRC. As at December 31, 2021, non-current assets of RMB746,000 (2020: RMB8,089,000) are located in the USA. The remaining non-current assets are all located in the PRC.

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group during the corresponding years are as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Customer A	**12,774**	N/A
Customer B	**N/A**	10,274
Customer C	**N/A**	8,300
Customer D	**N/A**	25,573
Customer E	**N/A**	12,738
Customer F	**17,346**	10,361
Customer G	**6,042**	N/A

N/A: not disclosed as amounts less than 10% of total revenue

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

7. OTHER INCOME

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Bank interest income	**4,587**	5,863
Promissory note interest income	**3,202**	–
Government grants (note)	**24,975**	6,081
Others	**142**	–
	32,906	11,944

Note: The amount represents 1) various subsidies granted by the PRC local government authorities to group entities as incentives for the Group's research and development activities. The government grants were unconditional and had been approved by the PRC local government authorities, which are recognised when payments were received; and 2) amortisation of subsidies received from the PRC local government authorities to subsidize the purchase of the Group's property, plant and equipment.

8. OTHER GAINS AND LOSSES, NET

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Gain on deemed disposal of interests in a joint venture (Note 19)	**26,816**	–
Net foreign exchange loss	**(28,516)**	(1,623)
Fair value change of financial liabilities at FVTPL (Note 30)	**(1,198,173)**	37,926
Transaction costs for issuance of Preferred Shares	**–**	(9,560)
Loss on disposal of property, plant and equipment	**(37)**	(9)
Others	**(62)**	11
	(1,199,972)	26,745

9. FINANCE COSTS

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Interest expenses on bank borrowings	**14,665**	15,463
Interest expenses on lease liabilities	**502**	607
	15,167	16,070

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

10. LOSS BEFORE TAX

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Loss before tax for the year has been arrived at after charging:		
Selling expenses (included in administrative and selling expenses)	**573**	2,759
Depreciation of property, plant and equipment	**51,215**	41,218
Amortisation of intangible assets	**456**	766
Depreciation of right-of-use assets	**6,034**	8,140
	57,705	50,124
Capitalised in the ending balance of contract costs	**(5,075)**	(7,996)
Capitalised in construction in progress	**(149)**	–
	52,481	42,128
Analysed as:		
Charged in cost of sales	**6,703**	11,917
Charged in administrative expenses	**16,290**	15,234
Charged in research and development expenses	**29,488**	14,977
	52,481	42,128
Auditors' remuneration	**2,280**	1,781
Directors' emoluments (Note 12(a))	**36,134**	79,499
Other staff costs:		
– salaries and other benefits	**120,446**	93,322
– discretionary bonus (note)	**15,815**	6,682
– retirement benefit scheme contributions	**24,672**	9,776
– share-based payments	**7,814**	40,883
	204,881	230,162
Capitalised in the ending balance of contract costs	**(9,114)**	(9,245)
	195,767	220,917
Analysed as:		
Charged in cost of sales	**13,687**	16,533
Charged in administrative expenses	**87,754**	116,492
Charged in research and development expenses	**94,326**	87,892
	195,767	220,917

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

11. INCOME TAX CREDIT

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Current tax:		
PRC Enterprise Income Tax	**(5)**	–
Deferred tax (Note 31)	**110**	110
	105	110

The Company was incorporated in the BVI and re-domiciled to the Cayman Islands and is exempted from income tax.

Under the two-tiered profits tax rates regime which was effective on March 21, 2018, the first Hong Kong dollar ("HK$") 2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime is insignificant to the Group, since the group entities did not have tax assessable profit subject to Hong Kong Profits Tax for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

On December 1, 2020, HJB Hangzhou is qualified as a High and New Tech Enterprise recognised by Ministry of Science and Technology and enjoys a preferential tax rate of 15% for a period of three years starting from 2020.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The tax credit for the years can be reconciled to the loss per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Loss before tax	**(1,715,648)**	(323,010)
Income tax credit calculated at 25%	**(428,912)**	(80,753)
Tax effect of share of loss of a joint venture	**738**	–
Tax effect of expenses that are not deductible for tax purpose	**339,776**	23,449
Tax effect of income not taxable for tax purpose	**(5)**	(112)
Tax effect of additional deductible research and development expenses (note)	**(46,735)**	(18,961)
Utilization of tax losses previously not recognised	**(201)**	(225)
Tax effect of tax losses not recognised	**123,737**	68,104
Tax effect of deductible temporary differences not recognised	**3,285**	3,100
Income tax effect at concessionary rate	**8,212**	5,288
Income tax credit	**(105)**	(110)

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

11. INCOME TAX CREDIT *(Continued)*

At December 31, 2021, the Group has unused tax losses of approximately RMB1,591,445,000 (2020: RMB1,109,557,000). At December 31, 2021, the Group has deductible temporary differences of approximately RMB29,715,000 (2020: RMB16,575,000). No deferred tax asset has been recognised in respect of the tax losses or temporary differences due to the unpredictability of future profit streams.

The unused tax losses will be carried forward and expire in years as follows:

	At December 31,	
	2021	2020
	RMB'000	RMB'000
2021	**–**	576
2022	**1,095**	–
2023	**1,717**	1,013
2024	**2,964**	1,346
2025	**7,040**	6,965
2026	**44,151**	21,715
2027	**137,092**	137,092
2028	**264,650**	264,650
2029	**410,471**	410,471
2030	**249,754**	265,729
2031	**472,511**	–
	1,591,445	1,109,557

Note: Pursuant to Caishui [2018] circular No. 99, the subsidiaries in the PRC enjoy super deduction of 175% (2020: 175%) on qualifying research and development expenditures for the year ended December 31, 2021.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

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

Details of the emoluments paid or payable to the individuals who were appointed as directors and the chief executive officer of the Company (including emoluments for services as employees/directors of the Group prior to becoming the directors of the Company) during both years are as follows:

(a) Executive and non-executive directors

	Date of appointment	Director's fee RMB'000	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Discretionary bonus RMB'000	Share-based payments RMB'000	Total RMB'000
For the year ended December 31, 2021							
Executive directors:							
Dr. Xueming Qian (chief executive officer) ("Dr. Qian")	August 2010	**771**	**1,301**	**136**	**1,880**	**1,086**	**5,174**
Dr. Michael Ming Shi ("Dr. Shi")	March 31, 2021	**–**	**2,925**	**189**	**1,495**	**–**	**4,609**
Mr. Albert Da Zhu ("Mr. Zhu")	March 31, 2021	**–**	**2,021**	**121**	**1,040**	**943**	**4,125**
		771	**6,247**	**446**	**4,415**	**2,029**	**13,908**
Non-executive director:							
Dr. Yining Zhao ("Dr. Zhao") (note v)	March 31, 2021	**646**	**519**	**–**	**176**	**20,735**	**22,076**
Independent non-executive directors:							
Mr. Jiasong Tang	September 14, 2021	**50**	**–**	**–**	**–**	**–**	**50**
Dr. Jun Bao	September 14, 2021	**50**	**–**	**–**	**–**	**–**	**50**
Mr. Zhihua Zhang	September 14, 2021	**50**	**–**	**–**	**–**	**–**	**50**
		150	**–**	**–**	**–**	**–**	**150**
		1,567	**6,766**	**446**	**4,591**	**22,764**	**36,134**
For the year ended December 31, 2020							
Executive directors:							
Dr. Qian (chief executive officer)	August 2010	828	1,339	247	1,144	47,282	50,840
Dr. Zhao		897	665	–	–	16,336	17,898
Dr. Shi	March 31, 2021	–	602	55	–	6,851	7,508
Mr. Zhu	March 31, 2021	–	1,865	60	811	517	3,253
		1,725	4,471	362	1,955	70,986	79,499

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

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

(a) Executive and non-executive directors (Continued)

Notes:

i None of the directors nor the chief executive officer of the Company waived or agreed to waive any emoluments during the years.

ii During the years, no emoluments were paid by the Group to any of the directors nor the chief executive officer of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

iii The executive directors' and non-executive director's emoluments shown above were for their services in connection with the management of the affairs of the Group and the Company, respectively.

iv The discretionary bonuses were determined with reference to their duties and responsibilities of the relevant individuals within the Group and the Group's performance.

v Dr. Zhao was an executive director of the Company until March 31, 2021 on which date he was redesignated as non-executive director of the Company.

(b) Five Highest Paid Employees

The five highest paid individuals of the Group during the year included 4 (2020: 3) directors, details of whose remuneration are set out above. Details of the remuneration for the year of the remaining 1 (2020: 2) highest paid employee(s) who is/are neither a director nor chief executive of the Company are as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Salaries and other benefits	**2,641**	4,580
Discretionary bonus (note)	**407**	973
Retirement benefit scheme contributions	**212**	634
Share-based payments	**847**	8,048
	4,107	14,235

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

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

(b) Five Highest Paid Employees (Continued)

The emoluments of these employees (excluding the directors) are within the following bands:

	Year ended December 31,	
	2021	2020
	No. of employees	No. of employees
HK$5,000,001 to HK$5,500,000	**1**	–
HK$7,500,001 to HK$8,000,000	**–**	1
HK$8,000,001 to HK$8,500,000	**–**	1
	1	2

During the year, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

13. LOSS PER SHARE

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

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Loss for the year attributable to the owners of the Company for the purpose of calculating basic and diluted loss per share	**(1,715,543)**	(316,626)

Number of shares

	Year ended December 31,	
	2021	2020
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**183,599,740**	69,892,264

The weighted average number of shares for the year shown above has been arrived after deducting treasury shares as set out in Note 32.

Diluted loss per share is calculated by adjusting weighted average number of ordinary shares outstanding assuming conversion of all dilutive ordinary shares. The computation of diluted loss per share did not assume the exercise of share options and over-allotment option before expiration (2020: exercise of share options and conversion of the Preferred Shares) since their assumed exercise (2020: exercise or conversion) would result in a decrease in loss per share.

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14. DIVIDENDS

No dividend was paid or declared by the Company for ordinary shareholders of the Company during 2021, nor has any dividend been proposed since the end of the reporting period (2020: nil).

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Machinery	Motor Vehicles	Furniture and fixtures	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At January 1, 2020	174,002	4,883	272,739	773	2,516	12,762	467,675
Additions	176	247	49,398	–	16	31,038	80,875
Transfers	–	–	34,943	–	–	(34,943)	–
Disposals	–	–	(284)	(470)	–	–	(754)
At December 31, 2020	174,178	5,130	356,796	303	2,532	8,857	547,796
Additions	–	847	22,774	–	195	13,363	37,179
Transfers	–	–	18,819	–	4	(18,823)	–
Disposals	–	–	(111)	–	–	–	(111)
At December 31, 2021	**174,178**	**5,977**	**398,278**	**303**	**2,731**	**3,397**	**584,864**
DEPRECIATION							
At January 1, 2020	6,771	2,340	46,869	561	1,478	–	58,019
Provided for the year	8,319	818	31,724	72	285	–	41,218
Eliminated on disposals	–	–	(170)	(447)	–	–	(617)
At December 31, 2020	15,090	3,158	78,423	186	1,763	–	98,620
Provided for the year	8,838	927	41,098	72	280	–	51,215
Eliminated on disposals	–	–	(74)	–	–	–	(74)
At December 31, 2021	**23,928**	**4,085**	**119,447**	**258**	**2,043**	**–**	**149,761**
CARRYING AMOUNT							
At December 31, 2020	159,088	1,972	278,373	117	769	8,857	449,176
At December 31, 2021	**150,250**	**1,892**	**278,831**	**45**	**688**	**3,397**	**435,103**

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15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis, after taking into account of the residual value, over the following period:

Buildings	20 years
Leasehold improvements	Over the shorter of the relevant lease terms or 5 years
Machinery	3-10 years
Motor vehicles	4 years
Furniture and fixtures	5 years

As at the end of the reporting period, machinery with carrying amount of approximately RMB124,841,000 were pledged to banks to secure the bank borrowings as disclosed in Note 27 (2020: RMB140,287,000).

16. INTANGIBLE ASSETS

	Software RMB'000	IPR&D RMB'000	In-licenses RMB'000 (note i)	Total RMB'000
COST				
At January 1, 2020	2,297	51,656	95,433	149,386
Disposals	(16)	–	–	(16)
At December 31, 2020	2,281	51,656	95,433	149,370
Additions	810	–	–	810
At December 31, 2021	**3,091**	**51,656**	**95,433**	**150,180**
AMORTISATION AND IMPAIRMENT				
At January 1, 2020	1,183	51,656	–	52,839
Provided for the year	766	–	–	766
Eliminated on disposals	(16)	–	–	(16)
At December 31, 2020	1,933	51,656	–	53,589
Provided for the year	456	–	–	456
At December 31, 2021	**2,389**	**51,656**	**–**	**54,045**
CARRYING AMOUNT				
At December 31, 2020	348	–	95,433	95,781
At December 31, 2021	**702**	**–**	**95,433**	**96,135**

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16. INTANGIBLE ASSETS *(Continued)*

The above intangible assets other than IPR&D and in-licenses are amortised on a straight-line basis over the following periods:

Software	2-3 years

(i) Licensing Agreement with Eli Lilly and Company ("Lilly")

In March 2019, HJB Hangzhou, a subsidiary of the Company, entered into a license agreement with Lilly with respect to certain technology, patent rights and proprietary materials related to certain compounds.

Under the terms of the agreement, the total upfront fee was comprised of non-refundable cash consideration of US$10,000,000 (equivalent to RMB67,531,000) and a non-cash consideration satisfied by the Company issuing certain number of Preferred Shares worthy of US$4,000,000. The total number of Series B-5 Preferred Shares issued by the Company to Lilly as a result was 2,797,514. As at December 31, 2021, the Group capitalized a total amount of RMB95,433,000 (equivalent to US$14,000,000) (2020: RMB95,433,000) as an intangible asset. The Group also agreed to pay Lilly clinical development milestone payments up to US$84 million, commercial milestone payments up to US$8.5 million, as well as tiered royalties on sales of each licensed product.

Impairment test

Intangible assets not yet ready for use are tested annually based on the recoverable amount of the cash-generating unit to which the intangible asset is related. The appropriate cash-generating unit is at the product level. The annual impairment test was performed for the drug by engaging an independent qualified professional valuer to estimate value in use as the recoverable amount of the drug. The value in use is estimated using discount cash flow approach.

With the assistance of an external appraiser, management determined the recoverable amount of the intangible assets based on the following approach and the key assumptions:

- The intangible asset will generate cash inflows starting from year 2026 based on the timing of clinical development and regulatory approval, commercial ramp up to reach expected peak revenue potential till year 2035, and up to the end of the exclusivity for the product. The management considers the length forecast period is appropriate because generally takes longer for a biopharma company to generate positive cash flows, compared to companies in other industries, especially when the related products are under clinical trial. Hence, the management believes that a forecast period for the cash-generating unit longer than five years is justifiable and consistent with industry practice;
- The expected market penetration rate was based on the expected selling conditions considering the features of marketing and technology development;
- The discount rate used is pre-tax and reflect specific risks relating to the relevant products that would be considered by market participants; and
- The expected success rate of commercialization by reference to practices of pharmaceutical industries, development of technologies and related regulations from administrations.

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16. INTANGIBLE ASSETS *(Continued)*

(i) Licensing Agreement with Eli Lilly and Company ("Lilly") (Continued)

Impairment test (Continued)

The key assumptions used for value in use calculation as at the end of the reporting period are as follows:

	As at December 31,	
	2021	2020
Pre-tax discount rate	**16.5%**	17%
Expected annual growth rates till 2035 (note)	**9.1%-175.7%**	9.1%-175.7%
Expected market penetration rate	**1.0%-13.5%**	1.0%-13.5%
Expected success rate of commercialization	**38%**	33%

Note: The compound growth rates calculated based on the expected annual growth rates till 2035 were 23% as at the end of the reporting period. Based on the estimate made by the management with reference to market analysis, there is no material change of revenue amounts during the forecast period when they performed the annual impairment test for each of the two years ended December 31, 2020 and 2021. As such, the compound revenue growth rate remained stable as at the end of the reporting period.

Based on the result of impairment assessment, there was no impairment as at December 31, 2021 (2020: nil).

Impairment test – sensitivity

The Company performed sensitivity test by increasing 1% of discount rate or decreasing of 1% revenue compound growth rate, which are the key assumptions determine the recoverable amount of the intangible asset, with all other variables held constant. The impacts on the amount by which the intangible asset's recoverable amount above its carrying amount (headroom) are as below:

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Headroom	**693,567**	480,567
Impact by increasing discount rate	**(121,825)**	(106,650)
Impact by decreasing revenue compound growth rate	**(28,041)**	(21,940)

Considering there was still sufficient headroom based on the assessment, the management believe that a reasonably possible change in any of the key assumptions would not cause the aggregate carrying amount of the cash-generating unit to exceed its recoverable amount.

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17. RIGHT-OF-USE ASSETS

	Leasehold land RMB'000	Leased properties RMB'000	Total RMB'000
As at December 31, 2020			
Carrying Amount	7,687	16,370	24,057
As at December 31, 2021			
Carrying Amount	**24,916**	**13,141**	**38,057**
For the year ended December 31, 2020			
Depreciation charge for the year	177	7,963	8,140
For the year ended December 31, 2021			
Depreciation charge for the year	**686**	**5,348**	**6,034**

	Year ended December 31,	
	2021 RMB'000	2020 RMB'000
Expenses relating to short-term leases	**–**	1
Total cash outflow for leases	**5,688**	8,370
Additions to right-of-use assets	**26,968**	15,363

For both years, the Group leases various pieces of land and various properties for its operations. Lease contracts are entered into for fixed term of approximately 2 years to 45 years (2020: 6 months to 5 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. There were no extension options in the lease contracts. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for rental of office premise. As at the end of the reporting period, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short term leases expense disclosed above.

Restrictions or covenants on leases

As at December 31, 2021, lease liabilities of RMB13,982,000 (2020: RMB17,049,000) are recognised with related right-of-use assets of RMB13,141,000 (2020: RMB16,370,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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18. GOODWILL

	At December 31,	
	2021	2020
	RMB'000	RMB'000
Carrying amount	**471,901**	471,901

The goodwill arose from acquisition of Just Biotherapeutics Asia Inc. ("Just Cayman") in 2019. The goodwill is not be deductible for tax purpose.

Goodwill arising from the business combination is allocated to a group of cash-generating units that are expected to benefit from the synergies of such business combination for the purpose of impairment testing.

For the year ended December 31, 2021

Impairment review on the goodwill of the Group has been conducted by management of the Company based on fair value less estimated cost to disposal.

Based on the result of the goodwill impairment testing, the estimated recoverable amount of the group of cash-generating units exceeded its carrying amount as at December 31, 2021. Thus, no impairment is noted.

For the year ended December 31, 2020

Impairment review on the goodwill of the Group has been conducted by the management of the Company with reference to a report prepared by independent qualified professional valuer. For the purpose of impairment review, the recoverable amount of the group of cash-generating units is determined based on value-in-use calculations.

Based on the result of the goodwill impairment testing, the estimated recoverable amount of the group of cash-generating units exceeded its carrying amount as at December 31, 2020. Thus, no impairment is noted.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

19. INTERESTS IN A JOINT VENTURE

Details of the Group's investment in a joint venture are as follow:

	At December 31, 2021 RMB'000	At December 31, 2020 RMB'000
Cost of investment in a joint venture	**500**	–
Other adjustments (note)	**26,816**	–
Share of loss and other comprehensive expenses	**(2,952)**	–
	24,364	–

In November 2020, Mabspace Suzhou, a wholly-owned subsidiary of the Company, and Alebund Pharmaceuticals, an independent third party entered into a framework agreement to set up Lisheng, a joint venture, to co-develop pipeline TST004. In accordance with the framework agreement, Mabspace Suzhou shall pay RMB500,000 as investment cost in Lisheng which represents the entire ownership interest of Lisheng initially. Alebund Pharmaceuticals shall then contribute a total of RMB60,837,000 (equivalent to approximately US$9,000,000) into Lisheng in five instalments subject to the achievement of certain research and development milestones as stipulated in the framework agreement.Upon the entire amount being contributed by Alebund Pharmaceuticals, the ownership interest in Lisheng will eventually be owned as 50% by Mabspace Suzhou and 50% by Alebund Pharmaceuticals. As part of the framework agreement, an ancillary collaboration and licensing agreement (the "Agreement") were entered into between Mabspace Suzhou, Alebund Pharmaceuticals and Lisheng in December 2020 pursuant to which Mabspace Suzhou shall out-license an irrevocable, permanent, exclusive and sub-licensable license to research, develop, commercialize,use, import, commit to sell, export and sell a licensed product, which is defined as a formulation with TST004 as the only active pharmaceutical ingredient, in Greater China to Lisheng.

No investment was made to Lisheng as of December 31, 2020. In accordance with the framework agreement, Mabspace Suzhou paid the RMB500,000 in January 2021. During the year ended December 31, 2021, a total amount of RMB48,700,000 (equivalent to approximately US$7,200,000), represented the first three instalments as stipulated in the framework agreement, was paid by Alebund Pharmaceuticals, representing 44.44% ownership interest in Lisheng. Meanwhile, the ownership interest held by Mabspace Suzhou was diluted from 100% to 55.56%.

Note: Other adjustments represents the differences between the Group's share of contribution made by Alebund Pharmaceuticals amounting to RMB27,038,000 and the Group's carrying amount of the deemed disposed interests amounting to RMB222,000.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

19. INTERESTS IN A JOINT VENTURE *(Continued)*

Details of the Group's joint venture at the end of each reporting period are as follows:

Name of entity	Country of incorporation registration	Principal place of business	Proportion of Ownership Interest held by the Group		Proportion of voting rights held by the Group		Principal activity
			At 31/12/2021	At 31/12/2020	**At 31/12/2021**	At 31/12/2020	
Lisheng	The PRC	The PRC	**55.56%**	N/A	**55.56%**	N/A	Research, development and commercialization of innovation therapies

Summarised financial information of the joint venture

Summarised financial information in respect of the Group's the joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRSs.

The joint venture is accounted for using the equity method in the consolidated financial statements.

	At December 31, 2021 RMB'000
Current assets	**43,408**
Non-current assets	**60,787**
Current liabilities	**2**
The above amounts of assets include the following:	
Cash and cash equivalents	**12,413**

	The year ended December 31, 2021 RMB'000
Research and development expenses	**(5,763)**
Loss and total comprehensive expenses for the year	**(5,314)**

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19. INTERESTS IN A JOINT VENTURE *(Continued)*

Summarised financial information of the joint venture (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	At December 31, 2021 RMB'000
Net assets of Lisheng	**104,193**
Proportion of the Group's ownership interest in Lisheng	**55.56%**
	57,890
Elimination (note)	**(33,526)**
Carrying amount of the Group's interest in Lisheng	**24,364**

Note: The amount represents the unrealized gain from the out-license of TST004 by the Group to Lisheng.

20. INVENTORIES

	At December 31, 2021 RMB'000	2020 RMB'000
Raw materials	**20,792**	7,901

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21. TRADE AND OTHER RECEIVABLES

	At December 31,	
	2021	2020
	RMB'000	RMB'000
Trade receivables	**2,565**	16,351
Less: Allowance for credit losses	**–**	–
	2,565	16,351
Other receivables:		
Promissory note receivables (note)	**8,465**	10,085
Interest receivable	**–**	231
Prepayments for:		
Research and development services	**24,207**	6,106
Legal and professional services	**1,063**	1,034
Purchase of raw materials	**3,356**	5,021
Deferred issue costs	**–**	1,764
Refundable rental deposits	**1,316**	587
Others	**3,724**	541
	44,696	41,720
Analyzed as:		
Non-current	**1,316**	10,085
Current	**43,380**	31,635
	44,696	41,720

As at January 1, 2020, trade receivables from contracts with customers amounted to RMB8,076,000.

The Group normally grants a credit period of 30 days or a particular period agreed with customers effective from the date when the services have been completed and accepted by customers.

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21. TRADE AND OTHER RECEIVABLES *(Continued)*

The following is an aged analysis of trade receivable net of allowance for credit losses presented based on the date of completion of service at the end of each reporting period:

	At December 31,	
	2021	2020
	RMB'000	RMB'000
Within 30 days	**2,565**	13,501
31 – 60 days	**–**	10
61 – 90 days	**–**	901
91 – 120 days	**–**	9
121 – 365 days	**–**	1,930
	2,565	16,351

Analysis of trade and other receivables of the Group denominated in currencies other than the functional currency of the relevant group entities is set out below:

	At December 31,	
	2021	2020
	RMB'000	RMB'000
US$	**8,840**	15,719

Note: The promissory note receivable balance arises from the exercise of share options by certain employees of the Group as disclosed in Note 33. The promissory notes carry interest rate of 3.6% per annum (2020: 3.6%).

22. CONTRACT COSTS

	At December 31,	
	2021	2020
	RMB'000	RMB'000
Costs to fulfill contracts	**33,275**	38,329

Contract costs capitalized relate to the costs incurred to fulfill contracts. Contract costs are recognised as part of cost of sales in the consolidated statements of profit or loss in the period in which revenue is recognised. The amount of capitalized costs recognised in profit or loss during the year ended December 31, 2021 was RMB40,874,000 (2020: RMB62,778,000). There was no impairment in relation to the opening balance of capitalized costs or the cost capitalized during the year ended December 31, 2021 (2020: nil).

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23. AMOUNTS DUE FROM RELATED PARTIES/AMOUNT DUE TO A DIRECTOR

(a) Amounts due from related parties

	At December 31,		Maximum amount outstanding during the year ended December 31,	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
Promissory note receivables				
Dr. Qian	**24,056**	23,525	**24,056**	23,525
Dr. Shi	**5,432**	5,410	**5,432**	5,410
Mr. Zhu	**920**	906	**920**	906
Dr. Zhao	**29,616**	31,227	**31,412**	31,227
Others	**16,105**	16,182	**20,252**	16,182
	76,129	77,250	**82,072**	77,250

The promissory note receivables balance arises from the exercise of share options by directors of the Company and key management personnel of the Group as disclosed in Note 33. The promissory notes carry interest rate of 3.6% per annum (2020: 3.6% per annum). As at December 31, 2021, the entire balance is expected to be received within twelve months from the end of the reporting period and therefore is classified as current assets. The promissory note receivables are non-trade in nature. In the opinion of the directors of the Company, the terms of the promissory notes are fair and on normal commercial terms and the balances is expected to be repaid in accordance to the terms.

The promissory note receivables are all denominated in US$.

(b) Amount due to a director

Amount due to a director is non-trade in nature, interest free, unsecured and repayable on demand.

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24. BANK BALANCES AND CASH AND RESTRICTED BANK DEPOSITS

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The bank balances and short-term bank deposits carry interests at market rates ranging from 0.01% to 2.25% (2020: 0.01% to 1.755%).

The restricted bank deposits of the Group amounting to RMB6,111,000 as of December 31, 2021 (2020: RMB6,094,000) was pledged with a bank for certain custom duty reduction on imported machinery. The restricted bank deposits carried interest at market rate ranging from 0.01% to 2.75% (2020: 0.30% to 2.75%).

Bank balances and cash that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	At December 31,	
	2021	2020
	RMB'000	RMB'000
US$	**624,302**	645,805
HK$	**508,418**	–
	1,132,720	645,805

25. TRADE AND OTHER PAYABLES

	At December 31,	
	2021	2020
	RMB'000	RMB'000
Trade payables	**31,430**	34,448
Accrued research and development expenses	**36,100**	–
Other payables:		
Purchase of property, plant and equipment	**2,856**	10,892
Transaction cost for issuance of Preferred Shares	**–**	7,019
Legal and professional fee	**3,435**	6,551
Listing expenses and issue costs	**–**	4,946
Others	**3,440**	1,635
Interest payables	**462**	–
Other tax payables	**949**	5,165
Accrued staff costs and benefits	**22,389**	15,853
Other accruals	**903**	2,181
	101,964	88,690

The average credit period on purchases of goods and services of the Group is 30 days.

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25. TRADE AND OTHER PAYABLES *(Continued)*

The following is an aged analysis of trade payables, presented based on earlier of the date of goods and services received and the invoice dates at the end of each reporting period:

	At December 31,	
	2021	2020
	RMB'000	RMB'000
0 – 30 days	**20,531**	23,458
31 – 60 days	**2,262**	–
61 – 90 days	**8,460**	24
91 – 120 days	**–**	2
121 – 365 days	**131**	10,552
Over 365 days	**46**	412
	31,430	34,448

Analysis of trade and other payables of the Group denominated in currencies other than the functional currency of relevant group entities is set out below:

	At December 31,	
	2021	2020
	RMB'000	RMB'000
US$	**5,406**	16,364

26. CONTRACT LIABILITIES

	At December 31,	
	2021	2020
	RMB'000	RMB'000
Provision of CDMO services	**4,972**	7,029
Provision of research and development services	**30,995**	–
	35,967	7,029

The following table shows how much the revenue recognised that was included in the contract liabilities balance at the beginning of the year.

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Provision of CDMO services	**7,029**	13,968

The Group normally invoices its customers at a percentage of the price on acceptance of manufacturing orders to commence work, which gives rise to contract liability at the start of a contract.

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27. BANK BORROWINGS

	At December 31,	
	2021	2020
	RMB'000	RMB'000
Secured	**105,769**	142,250
Unsecured	**244,960**	95,000
	350,729	237,250
Fixed-rate borrowings	**218,002**	220,938
Variable-rate borrowings	**132,727**	16,312
	350,729	237,250
Carrying amount repayable*:		
Within one year	**273,339**	91,312
Within a period of more than one year but not exceeding two years	**61,390**	145,938
Within a period of more than two years but not exceeding five years	**16,000**	–
	350,729	237,250
Less: Amounts due within 12 months shown under current liabilities	**(273,339)**	(91,312)
Amounts shown under non-current liabilities	**77,390**	145,938

The ranges of the effective interest rates on the Group's borrowings are as follows:

	Year ended December 31,	
	2021	2020
Fixed-rate borrowings	**3.85% – 5.225%**	3.95% – 5.225%
Variable-rate borrowings	**4%**	5.225%

As at December 31, 2021, bank borrowings amounting to RMB105,769,000 (2020: RMB142,250,000), are secured by property, plant and equipment with carrying amount of RMB124,841,000 (2020: RMB140,287,000).

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27. BANK BORROWINGS *(Continued)*

The Group's borrowings that are denominated in currencies other the functional currencies of the relevant group entities are set out below:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
US$	**–**	26,099

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

28. LEASE LIABILITIES

	At December 31,	
	2021	2020
	RMB'000	RMB'000
Lease liabilities payable:		
Within one year	**6,272**	7,506
Within a period of more than one year but not exceeding two years	**5,250**	6,838
Within a period of more than two years but not exceeding five years	**2,460**	2,705
	13,982	17,049
Less: Amounts due for settlement with 12 months shown under current liabilities	**(6,272)**	(7,506)
Amounts due for settlement after 12 months shown under non-current liabilities	**7,710**	9,543

The weighted average incremental borrowing rates applied to the lease liabilities range from 2.98% to 6.483% for the year ended December 31, 2021 (2020: 1.56% to 6.483%).

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29. DEFERRED INCOME

	At December 31,	
	2021	2020
	RMB'000	RMB'000
Government grants		
Conditional (note i)	**18,868**	57,200
Assets-related grants (note ii)	**32,000**	–
	50,868	57,200
Less: current portion	**(8,000)**	–
Non-current portion	**42,868**	57,200

Notes:

i The deferred income represents the government grant received from the local government to support the business operations of the Group. They are conditional upon meeting specific requirements based on the relevant grant documents.

ii The asset-related grants amounting to RMB40,000,000 are the subsidies received from the government in previous years which were conditional as of December 31, 2020. During the year ended December 31, 2021, condition in note (i) was removed and the amount was transferred to assets-related grants after the receipt of approval from the government. The amount is for the purpose of compensation for purchase of the Group's property, plant and equipment. Amortisation of RMB8,000,000 was recognised in profit or loss in the current year.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

30. FINANCIAL LIABILITIES AT FVTPL

The Company entered various investment agreements with independent investors pursuant to which the Company issued Preferred Shares and written share purchase options to the investors to subscribe for the Preferred Shares of the Company.

The Preferred Shares issued and share purchase options written are as follows:

	Notes	Date of re-designation/ subscription	Number of investors	Total number of share issued	Subscription price per share US$	Total consideration US$'000	Equivalent to RMB RMB'000
Series A-1	i	December 21, 2018	2	7,005,948	0.4233	2,966	55,061
Series A-2	i	December 21, 2018	2	26,576,400			
	i & iii	January 9, 2020*	1	8,858,800			
			3	35,435,200	0.4233	15,000	279,169
Series A-3	ii	December 21, 2018	1	16,425,863			
	ii & iii	June 20, 2019*	2	12,775,671			
	ii & iii	January 9, 2020*	1	7,300,383			
	ii & iii	June 2, 2020*	1	567,808			
	ii & iii	December 23, 2020*	1	1,257,288			
			6	38,327,013	0.2740	10,500	72,312
Series B-1	i	December 21, 2018	4	27,975,139	1.4298	40,000	275,292
Series B-2	ii & iii	December 23, 2020*	1	4,490,315	1.1135	5,000	32,779
Series B-3	ii	December 21, 2018	1	1,212,385			
	ii & iii	June 20, 2019*	3	15,736,759			
	ii & iii	January 9, 2020*	1	832,505			
	ii & iii	December 23, 2020*	1	8,082,567			
			6	25,864,216	1.2372	32,000	216,999
Series B-4	ii	December 21, 2018	5	20,187,082			
	ii & iii	January 9, 2020*	1	386,726			
	ii & iii	June 2, 2020*	1	1,469,558			
	ii & iii	December 23, 2020*	1	3,673,894			
			8	25,717,260	1.3610	35,001	239,740
Series B-5		December 2, 2019	10	45,536,882			
		February 14, 2020	1	279,751			
		December 17, 2020	1	3,496,892			
	iii	December 23, 2020*	4	23,723,114			
			16	73,036,639	1.4298	104,428	714,932
Series C-1		December 10, 2020	15	36,346,231			
		February 26, 2021	3	23,043,683			
			18	59,389,914	1.8660	110,823	720,828

* Subscribed by onshore investors

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

30. FINANCIAL LIABILITIES AT FVTPL *(Continued)*

Notes:

i Series A, Series A-1 and Series B Preferred Shares which were previously issued on May 3, 2018, May 3, 2018 and June 8, 2018, respectively, by the Company were re-designated as Series A-1, Series A-2 and Series B-1 Preferred Share.

ii The entire Series A-3, Series B-2, Series B-3 and Series B-4 Preferred Shares were issued as consideration of a business combination as disclosed in Note 18.

iii These Preferred Shares were issued upon the exercise of share purchase options granted to the onshore investors, details of which are disclosed in "Investment Arrangement with Onshore Investors".

Preferred Shares

The Company has issued Series A-1 Preferred Shares, Series A-2 Preferred Shares, Series A-3 Preferred Shares (collectively, "Series A Preferred Shares"), Series B-1 Preferred Shares, Series B-2 Preferred Shares, Series B-3 Preferred Shares, Series B-4 Preferred Shares, Series B-5 Preferred Shares (collectively, "Series B Preferred Shares") and Series C-1 Preferred Shares. The key terms of the Preferred Shares of the Company are as follows:

(a) Dividend rights

The directors of the Company may authorize a distribution by way of dividend at a time and of an amount they think fit out of the funds of the Company lawfully available.

No dividend or distribution, whether in cash, in property, or in any other shares of the Company, shall be declared, paid, set aside or made with respect to the ordinary shares at any time unless a dividend or distribution in like amount is likewise declared, paid, set aside or made at the same time with respect to each issued and outstanding Preferred Share payable in cash when, as and if declared by the board of directors.

(b) Conversion feature

Each holders of the Preferred Shares shall have the rights to convert Preferred Shares into ordinary shares at any time after the issuance date into such number of fully paid and non-assessable ordinary shares as determined by dividing the relevant issue price by the then-effective conversion price. The conversion price shall initially be the respective issue price per Preferred Shares, resulting the initial conversion ratio of 1:1. Such initial conversion price shall be subject to adjustment (including but not limited to share splits and combinations, dividend and distribution, reorganizations, mergers, consolidations, reclassifications, exchanges and substitutions, and adjustment upon issuance of new securities for consideration per shares less than conversion price).

All outstanding Preferred Shares shall automatically be converted, at the applicable conversion ratio in effect of conversion, without the payment of any additional consideration, into fully-paid and non-assessable ordinary shares, at the earlier of (i) the closing of a qualified initial public offering ("QIPO"), and (ii) the prior written approval of the holders of at least two-thirds (2/3) of corresponding sub-class of Preferred Shares (voting together as a single class on an as-converted basis).

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

30. FINANCIAL LIABILITIES AT FVTPL *(Continued)*

Preferred Shares (Continued)

(b) Conversion feature (Continued)

QIPO means the first firm-commitment underwritten initial public offering by the Company on an internationally recognised stock exchange underwritten by an internationally recognised investment bank with a per share price (after underwriting commissions and expenses) (i) that implies a market capitalization of the Company prior to an initial public offering no less than the post-money valuation of the Company immediately after the closing of respective share purchase transaction to be increased annually at a simple rate of 10% per annum calculating from the closing date as defined in respective share purchase agreement (with a year being 365 days); or (ii) approved collectively by the (a) holders of the Series B-1 Preferred Shares (voting together as a single class on an as-converted basis), (b) holders of at least two-thirds of the Series B Preferred Shares (excluding Series B-1 Preferred Shares) (voting together as a single class on an as-converted basis), (c) holders of at least two-thirds (2/3) of the Series A Preferred Shares (voting together as a single class on an as-converted basis), (d) holders of at least two thirds of Series B-4 Preferred Shares (voting together as a single class) and (e) holders of at least a majority of the Series C Preferred Shares (voting together as a single class).

(c) Liquidation preferences

Upon the occurrence of any liquidation, dissolution, or winding up of the Company, whether voluntary or involuntary (the "Liquidation Event"), or any deemed liquidation event as defined in the Articles of Association of the Company, the assets or funds of the Company legally available for distribution and all proceeds derived from the Liquidation Event (the "Preference Assets") shall be distributed as follows:

(i) firstly among the holders of the outstanding Series C-1 Preferred Shares, amounting being the Series C-1 issue price, plus annual return at compound interest of 8% per annum calculating from the relevant Series C original issue date to the applicable payment date, plus any dividends declared but unpaid (any remaining assets after the foregoing distribution are referred to as the "Post C Preference Assets").

(ii) 50% of Post C Preference Assets being distributed:

  (a) ratably among the holders of Series B-5 Preferred Shares, Series B-1 Preferred Shares and Series A-2 Preferred Shares at the amounts of the Series B-5 issue price, the Series B-1 issue price or the Series A-2 issue price (as applicable), plus any dividends declared but unpaid thereon until they are paid in full; and

  (b) Any remainder shall be distributed ratably among the holders of the 50% of the Series B-5 Preferred Shares, Series B-1 Preferred Shares, Series A-2 Preferred Shares and Series A-1 Preferred Shares and ordinary shares;

(iii) 50% of the Post C Preference Assets shall be distributed:

  (a) ratably among the holders of Series B-2 Preferred Shares, Series B-3 Preferred Shares, Series B-4 Preferred Shares and 50% of Series B-5 Preferred Shares until they are paid in full;

  (b) ratably among the holders of Series A-3 Preferred until they are paid in full; and

  (c) Any remainder shall be distributed ratably among the holders of Series B-2 Preferred Shares, Series B-3 Preferred Shares, Series B-4 Preferred Shares, 50% of Series B-5 Preferred Shares and Series A-3 Preferred Shares and ordinary shares.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

30. FINANCIAL LIABILITIES AT FVTPL *(Continued)*

Preferred Shares (Continued)

(d) Redemption feature

If by December 31, 2023, a Qualified IPO has not occurred, then at any time thereafter, any holder of Series A Preferred Shares, Series B Preferred Shares or Series C Preferred Shares may require the Company to repurchase its Preferred Shares. In such event: (i) if a repurchase is requested by a holder of Series C Preferred Shares, the relevant Series C Preferred Shares shall be repurchased by the Company at a price per share equal to the relevant Series C issue price with a compound rate of 8% per annum return calculating from the relevant Series C original issue date to the applicable repurchase date, plus all declared but unpaid dividends thereon (ii) if a repurchase is requested by a holder of Series B Preferred Shares, the relevant Series B Preferred Shares shall be repurchased by the Company at a price per share equal to the relevant Series B Issue Price with a simple rate of eight percent (8%) per annum return calculating from the relevant Series B original issue date to the applicable repurchase date (as defined below), plus all declared but unpaid dividends thereon; and (iii) if a repurchase is requested by a holder of Series A Preferred Shares, the relevant Series A Preferred Shares shall be repurchased by the Company at a price per share equal to the relevant Series A issue price, plus all declared but unpaid dividends thereon.

(e) Voting rights

Each Preferred Shares shall carry a number of votes equal to the number of ordinary shares then issuable upon its conversion into ordinary shares at the record date for determination of the shareholders entitled to vote on such matters, or, if no such record date is established, at the date such vote is taken or any written consent of shareholders is solicited.

Investment Arrangement with Onshore Investors

When the onshore investors make respective capital contribution (the "Onshore Equity Interest") to Mabspace Suzhou and HJB Hangzhou, the Company also entered into share purchase agreements and option agreements with each of the onshore investors, pursuant to which the Company granted each onshore investor a share purchase option to subscribe for the certain class of Preferred Shares to be issued by the Company (subject to anti-dilutive adjustments). The aggregate purchase price of the Preferred Shares upon the exercise of the share purchase options (the "Preferred Shares Purchase Price") shall be determined based on the then fair market value of the Onshore Equity Interest as agreed through negotiation between the Company and the onshore investor. The number of the Preferred Shares issuable pursuant to the exercise of the share purchase options shall be subject to (a) any appropriate adjustments for any subsequent share splits, share subdivisions, consolidation or combinations of shares, dividends or distributions of shares or other securities, reclassification, capital reorganization or similar arrangement, as well as merger, consolidation or redemption in accordance with the then applicable Amended and Restated Articles of Association of the Company; and (b) any change or adjustment of the Onshore Equity Interest held by such investor pursuant to the investment documents. The Preferred Shares issuable pursuant to the exercise of the share purchase options bear the rights, preferences and privileges as set forth in the then applicable amended and Restated Articles of Association of the Company.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

30. FINANCIAL LIABILITIES AT FVTPL *(Continued)*

Preferred Shares (Continued)

Investment Arrangement with Onshore Investors (Continued)

Each of the onshore investors may elect to exercise the share purchase options at its own discretion, provided that the restructuring process for the investor's exercise of such share purchase options complies with all applicable laws.

Upon receipt of the notice for exercising the share purchase options by the Company from any of the onshore investors, Mabspace Biosciences Co., Limited ("Mabspace HK"), the immediate holding company of Mabspace Suzhou, or HJB (Hong Kong) Co., Limited (formerly known as "Just Biotherapeutics (Hong Kong) Limited") ("Just HK"), the immediate holding company of HJB Hangzhou, shall purchase from such onshore investor and the onshore investor shall sell to the Mabspace HK or Just HK, as applicable, all of its Onshore Equity Interest.

Presentation and Classification

The Preferred Shares are regarded as financial liabilities measured at FVTPL. The directors of the Company considered that the changes in the fair value of the Preferred Shares attributable to the change in credit risk of the Group is minimal.

The Group recognised the gross obligations from share purchase options written by the Company as financial liabilities measured at FVTPL as the put options is over the equity interests of Mabspace Suzhou or HJB Hangzhou and therefore does not meet the definition of equity.

The Company has recognised the share purchase options written by the Company as financial liabilities measured at FVTPL.

Changes in fair value of the Preferred Shares and the share purchase options are charged to profit or loss and included in "other gains and losses, net".

Prior to the conversion into ordinary shares of the Company, the Preferred Shares, gross obligations from the share purchase options written and share purchase options were valued by the directors of the Company with reference to valuation reports carried out by an independent qualified professional valuer.

The Company used back-solve method to determine the underlying share value of the Company and performed an equity allocation based on a binomial Option Pricing Model ("OPM") to arrive the fair value of the Preferred Shares and share purchase options as of the dates of issuance and at the end of each reporting period.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

30. FINANCIAL LIABILITIES AT FVTPL *(Continued)*

Preferred Shares (Continued)

Presentation and Classification (Continued)

In addition to the underlying share value of the Company determined by back-solve method, other key valuation assumptions used in OPM to determine the fair value are as follows:

	At January 1, 2020	At December 31, 2020
Time to liquidation	5 years	3 years
Time to redemption	5 years	3 years
Dividend yield	0%	0%
Risk-free interest	1.69%	0.17%
Possibilities under IPO scenario	20%	45%
Possibilities under liquidation scenario	40%	30%
Possibilities under redemption scenario	40%	25%
Volatility	70%	73%

The directors of the Company estimated the risk-free interest rate based on the yield of the United States Treasury Bonds with a maturity life close to period from the respective valuation dates to the expected liquidation dates. Volatility was estimated on each valuation date based on average of historical volatilities of the comparable companies in the same industry for a period from the respective valuation dates to expected liquidation dates. Expected dividend yield is based on management estimation at issue date.

As at September 29, 2021, all Preferred Shares were automatically converted into ordinary shares and the fair value of the Preferred Shares were measured at the IPO issue price of HK$16.00 per share.

Management considered that fair value change in the financial liabilities at FVTPL that are attributable to changes of credit risk of this liability is not significant.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

30. FINANCIAL LIABILITIES AT FVTPL *(Continued)*

Preferred Shares (Continued)

Presentation and Classification (Continued)

The fair value of the preferred shares, gross obligation from share purchase option written and the share purchase option at the end of each reporting period is as follows:

	Preferred Shares US$'000	Gross obligations from share purchase options written US$'000	Total US$'000	Shown in financial information as RMB'000
At January 1, 2020	217,589	41,711	259,300	1,808,929
Issuance of Series B-5 Preferred Shares	5,400	33,919	39,319	257,745
Issuance of Series C-1 Preferred Shares	67,822	–	67,822	445,485
Exercise of share purchase options	73,173	(73,173)	–	–
Changes in fair value (note)	(5,275)	(2,457)	(7,732)	(37,926)
At December 31, 2020	358,709	–	358,709	2,474,233
Issuance of Series C-1 Preferred Shares	43,275	–	43,275	278,292
Changes in fair value (note)	208,993	–	208,993	1,198,173
Automatic conversion of Preferred Share upon IPO	(610,977)	–	(610,977)	(3,950,698)
At December 31, 2021	–	–	–	–

Note: Changes in fair value presented in RMB includes effect of exchange on translation from US$ balances.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

31. DEFERRED TAX LIABILITIES

The following is the analysis of the deferred tax balances for financial reporting purpose.

	Fair value adjustments of property, plant and equipment RMB'000	Intangible assets RMB'000	Total RMB'000
At January 1, 2020	1,970	23,858	25,828
Credited to profit or loss	(110)	–	(110)
At December 31, 2020	1,860	23,858	25,718
Credited to profit or loss	(110)	–	(110)
At December 31, 2021	**1,750**	**23,858**	**25,608**

32. SHARE CAPITAL

	Number of shares	Share capital US$'000
Ordinary shares		
Ordinary shares of US$0.0001 each		
Authorized		
At January 1, 2020	476,359,836	48
Classification and designation on issuance of Series B-5 Preferred Shares – second closings (note i)	(10,770,428)	(1)
Classification and designation on issuance of Series B-5 Preferred Shares – third closings (note i)	(5,595,027)	(1)
Increase in authorized shares (note ii)	179,375,218	18
Classification and designation on issuance of Series C-1 Preferred Shares (note ii)	(78,146,401)	(8)
At December 31, 2020	561,223,198	56
Automatic conversion of Preferred Shares upon IPO	318,152,020	32
Increase in authorized shares (note iii)	9,120,624,782	912
At December 31, 2021	**10,000,000,000**	**1,000**

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

32. SHARE CAPITAL *(Continued)*

	Number of shares	Amount US$'000	Equivalent Amount of ordinary shares RMB'000
Issue and fully paid			
At January 1, 2020	64,184,427	6	44
Issued during the year to Dr. Qian	425,000	–*	–*
Issuance of ordinary shares in relation to exercise of share options (Note 33)	35,740,878	4	24
Repurchased and canceled during the year (note iv)	(3,088,302)	–*	(2)
At December 31, 2020	97,262,003	10	66
Issuance of shares held on trust (note v)	2,670,445	–*	2
Issuance of ordinary shares in relation to exercise of share options (Note 33)	362,040	–*	–*
Issuance of treasury shares (note vi)	7,465,785	1	5
Issuance of ordinary share upon IPO (note vii)	40,330,000	4	26
Automatic conversion of Preferred Shares upon IPO	297,241,644	30	192
At December 31, 2021	**445,331,917**	**45**	**291**

* Amount is less than US$1,000 or RMB1,000.

Notes:

i February 14, 2020 and May 13, 2020, respectively, pursuant to resolution of directors, the Company designated and classified a total of 16,365,455 shares in its authorized capital as Series B-5 Preferred Shares.

ii Pursuant to a resolution of directors passed on November 18, 2020, the number of authorized shares for issue increased by 179,375,218 shares. The Company designated and classified a total of 78,146,401 shares in its authorized capital as Series C-1 Preferred Shares.

iii Pursuant to a resolution of directors passed on June 18, 2021, the number of authorized shares for issue increased by 9,120,624,782 shares.

iv On November 25, 2020, the Company repurchased 3,088,302 shares from Dr. Qian (as nominee shareholder for the benefit of other shareholders) at a price of US$5,763,000 (equivalent to RMB37,890,000).

v On February 10, 2021, the Company issued a total number of 2,670,445 ordinary shares to Success Reach International Limited whose entire share capital is held by Trident Trust Company (HK) Limited in trust, being served as the trustee of the Success Reach trust. Success Reach trust is an irrevocable trust established by the Company for the benefit of certain participants under the Pre-IPO Equity Incentive Plan as fully explained in Note 33. The amount is presented as treasury shares in the consolidated statements of financial position of the Group.

vi On June 22, 2021, the Company issued 2,965,785 ordinary shares to Success Reach International Limited and 4,500,000 shares to Success Link International L.P. to hold on behalf of future participants of the Pre-IPO Equity Incentive Plan of the Company.

vii On September 29, 2021, 40,330,000 ordinary shares of US$0.0001 par value each were issued at HK$16.0 per share for a total gross cash consideration of HK$645,280,000 (equivalent to RMB536,034,000) in connection with the Company's IPO.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

33. SHARE-BASED PAYMENT TRANSACTIONS

Pre-IPO Equity Incentive Plan

The Transcenta Holding Limited 2019 Equity Incentive Plan ("Pre-IPO Equity Incentive Plan") was effective since January 1, 2019. The purpose of the Pre-IPO Equity Incentive Plan was to provide incentives to employees, directors and consultants in order to promote the success of the business of the Company.

Under the Pre-IPO Equity Incentive Plan, the board of directors may grant share options or restricted share units to eligible employees, directors and consultants. The maximum number of shares which may be issued pursuant to all awards granted under the Pre-IPO Equity Incentive Plan is 69,325,254, subject to any adjustments to reflect any share dividends, share splits, or similar transactions. The Pre-IPO Equity Incentive Plan will expire on its 10th anniversary.

During the year ended December 31, 2021, 5,450,000 shares options/restricted share units were granted to employees, directors and consultants (2020: 19,214,000).

Set out below are details of the movements of the outstanding options/restricted share units granted under the Pre-IPO Equity Incentive Plan during both years:

	At January 1, 2020 '000	Granted during the year '000	Forfeited during the year '000	Exercised during the year '000 (note ii)	At December 31, 2020 '000	Granted during the year '000	Forfeited during the year '000	Exercised during the year '000	**At December 31, 2021 '000**
Milestone-based (note i)	8,559	11,109	–	(16,802)	2,866	–	(530)	–	**2,336**
Time-based	–								
Category A	17,847	–	(219)	(12,369)	5,259	3,400	(815)	–	**7,844**
Category B	75	–	–	(75)	–	–	–	–	**–**
Category C	2,548	–	(100)	(330)	2,118	–	(385)	–	**1,733**
Category D	7,405	7,505	(340)	(6,165)	8,405	2,050	(154)	(362)	**9,939**
Category E	–	600	–	–	600	–	–	–	**600**
Category F	20	–	–	–	20	–	–	–	**20**
	36,454	19,214	(659)	(35,741)	19,268	5,450	(1,884)	(362)	**22,472**
Directors	8,593	4,300	–	(7,933)	4,960	3,400	(1,200)	–	**7,160**
Consultants	1,816	600	–	–	2,416	160	(500)	–	**2,076**
Employees	26,045	14,314	(659)	(27,808)	11,892	1,890	(184)	(362)	**13,236**
	36,454	19,214	(659)	(35,741)	19,268	5,450	(1,884)	(362)	**22,472**
Weighted average exercise price (US$)	0.34	0.58	0.57	0.36	0.54	0.4	0.52	0.11	**0.52**
Exercisable									
Directors	9,736				329				**2,802**
Consultants	1,406				1,381				**1,884**
Employees	11,784				5,014				**8,101**
	22,926				6,724				**12,787**

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

33. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Pre-IPO Equity Incentive Plan (Continued)

Notes:

i Milestone-based share options are granted conditionally upon the achievement of specific performance targets including but not limited to the completion of IPO and completion of various research and development milestones. The expected vesting period is estimated by directors of the Company based on the expected timeline of each milestone achievement.

ii On November 13, 2020, 32,840,878 ordinary shares were issued upon the exercise of share options granted to certain participants (the "ELP Participants") under the Pre-IPO Equity Incentive Plan. Those shares were subsequently transferred to Success Link International L.P., an exempted limited partnership established to facilitate the administration of the Pre-IPO Equity Incentive Plan for the benefit of ELP Participants. Expenses as a result of the accelerated exercise amounting to RMB72,162,000 is recognised in profit or loss during the year ended December 31, 2020.

The exercise price of the share options was paid by ELP Participants by delivering promissory notes to the Company. The promissory notes bear interest rates of 3.6% per annum and will be due and payable on the termination date of the ELP Participants' employment or service relationship with the Group or on such other date as determined by the Company. The ELP Participants shall settle the outstanding balances under the promissory notes in full to the Group within the time period as determined by the Company.

The vesting schedule for category A options is over 4 years with 25% of the options vesting on the one year anniversary of the vesting commencement date as stipulated in respective grant notices and the remaining 75% of the options vesting in 36 equal monthly installments from such one year anniversary of the vesting commencement date.

The vesting schedule for category B options is over 2 years in 2 equal yearly installments from the vesting commencement date as stipulated in respective grant notices.

The vesting schedule for category C options is over 3 years in 3 equal yearly installments from the vesting commencement date as stipulated in respective grant notices.

The vesting schedule for category D options is over 4 years in 4 equal yearly installments from the vesting commencement date as stipulated in respective grant notices.

The vesting schedule for category E options is over 5 years in 5 equal yearly installments from the vesting commencement date as stipulated in respective grant notices.

The vesting schedule for category F options is over 1 year in 1 equal yearly installments from the vesting commencement date as stipulated in respective grant notices.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

33. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Pre-IPO Equity Incentive Plan (Continued)

Fair value of share options granted

Back-solve method was used to determine the underlying equity fair value of the Company and binomial OPM was used to determine the fair value of the options granted. The fair value of the options at grant date was valued by directors of the Company with reference to valuation reports carried out by an independent qualified professional valuer. Key assumptions, such as years to liquidity event, risk-free interest rate and volatility, are required to be determined by the directors with best estimate.

These key inputs into the model were as follows:

	Granted during the year ended December 31,		
	2019	2020	**2021**
Grant date option fair value per share	US$0.34 – US$0.91	US$0.39 – US$0.81	**US$0.95 – US$1.60**
Grant date ordinary share fair value	US$0.91 – US$0.95	US$0.91 – US$0.95	**US$0.91 – US$2.49**
Exercise price	US$0.0001 – US$1.50	US$0.0001 – US$1.50	**US$0.0001 – US$1.14**
Expected volatility	75%	75%	**75%**
Expected life	10 years	10 years	**10 years**
Risk-free rate	1.80% – 2.71%	0.63% – 1.83%	**1.47% – 1.59%**
Expected dividend yield	0%	0%	**0%**

The directors of the Company estimated the risk-free interest rate based on the yield of the United States Treasury Bonds with a maturity life close to the option life of the share option. Volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share options. Expected dividend yield is based on management estimation at the grant date. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations. The Group recognised the total expense of RMB30,578,000 for the year ended December 31, 2021 (2020: RMB111,869,000) in relation to share options granted by the Company.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

34. RELATED PARTY TRANSACTIONS

Save for disclosed in elsewhere of the consolidated financial statements, the Group has the following transaction and balance with a related party during the year.

Relationship	Nature of transaction/balance	**2021** **RMB'000**	2020 RMB'000
A joint venture	Provision of research and development services	**6,042**	–
	Contract liabilities	**30,995**	–

Compensation of key management personnel

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

	Year ended December 31,	
	2021 **RMB'000**	2020 RMB'000
Short term benefits	**19,306**	19,633
Discretionary bonus (note)	**6,452**	6,270
Post-employment benefits	**1,605**	2,184
Share-based payments	**25,209**	85,205
	52,572	113,292

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

35. CAPITAL COMMITMENT

	At December 31,	
	2021 **RMB'000**	2020 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements:		
– Property, plant and equipment	**23,478**	15,186

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

36. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to investors through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged during the year.

The capital structure of the Group consists of net debts, which includes bank borrowings disclosed in Note 27, lease liabilities disclosed in Note 28 net of bank balances and restricted bank deposits disclosed in Note 24 and equity attributable to owners of the Company, comprising share capital and reserves.

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

37. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	At December 31,	
	2021	2020
	RMB'000	RMB'000
Financial assets		
Amortised cost	**1,316,612**	924,925
Financial liabilities		
Amortised cost	**429,623**	304,922
Financial liabilities at FVTPL	**–**	2,474,233

(b) Financial risk management objectives and policies

The Group's major financial assets and liabilities include trade and other receivables, amounts due from related parties, bank balances and cash, restricted bank deposits, trade and other payables, bank borrowings and amount due to a director. Details of these financial assets and liabilities are disclosed in respective notes.

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

37. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk

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

(i) Currency risk

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

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

	At December 31,	
	2021	2020
	RMB'000	RMB'000
Assets		
US$	**709,271**	735,862
HK$	**508,418**	–
Liabilities		
US$	**5,406**	2,516,696

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against US$ and HK$, the foreign currency with which the Group may have a material exposure. 5% represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis uses outstanding foreign currency denominated monetary items as a base and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rate. A negative/positive number below indicates an increase/decrease in loss where RMB strengthens 5% against US$ and HK$. For a 5% weakening of RMB against US$ and HK$, there would be an equal and opposite impact on loss for the year.

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Impact on profit or loss		
US$	**(35,193)**	89,042
HK$	**(25,421)**	–

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

37. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk (Continued)

(ii) Interest rate risk

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

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and variable rate bank borrowings. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and bank borrowings. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

Sensitivity analysis

The sensitivity analyzes below have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year.

If interest rates had been 10 basis points higher/lower and all other variables were held constant, the Group's loss for the year for the year ended December 31, 2021 would decrease/increase by RMB132,000 (2020: RMB16,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

The Group's sensitivity to interest rates during the current year has remained at the same level as last year.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group is arising from the amount of each class of financial assets as disclosed in the consolidated statements of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Trade receivables

For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The ECL on trade receivable are assessed individually, based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forward-looking information that is available without undue cost or effort at the end of each period. The expected credit loss rate of trade receivables as at December 31, 2021 were 0.1% (2020: 0.1%).

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

37. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk (Continued)

Trade receivables *(Continued)*

In order to minimize the credit risk with customers, the management of the Group has delegated its finance team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

As of December 31, 2021, RMB1,482,000 (2020: RMB10,686,000) represents 58% (2020: 65%) of total trade receivables from the Group's largest debtor. As of December 31, 2021, RMB2,565,000 (2020: RMB15,986,000) of the trade receivables was due from the five largest debtors, representing 100% (2020: 98%) of total trade receivables.

Other receivables

For other receivables, the Group has applied 12m ECL in IFRS 9 to measure the loss allowance. The ECL on other receivables are assessed individually based on historical settlement records and past default experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the end of the reporting period. The expected credit loss rate of other receivables as at December 31, 2021 were all less than 0.1% (2020: 0.1%). Management considered the ECL provision of other receivables is insignificant.

Amounts due from related parties

For amounts due from related parties, the Group has applied 12m ECL to measure the loss allowance. In assessing the probability of defaults of amounts due from related parties, the management has taken into account the financial position of the counterparties as well as forward looking information that is available without undue cost or effort. Management considered the ECL provision of amounts due from related parties is insignificant as the general partner of Success Link International L.P. as disclosed in Note 33 may make distributions to these related parties only after the amount owed by the corresponding related party under the promissory notes as disclosed in Note 23 being fully settled.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

37. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk (Continued)

Bank balances and restricted bank deposits

The credit risk on bank balances and restricted bank deposits is limited because the counterparties are reputable financial institutions. The Group assesses 12m ECL for bank balances and restricted bank deposits with reference to information relating to average loss rates of the respective credit rating grades published by external credit rating agencies based on the average loss rate. Management considered the ECL on bank is balances and restricted bank deposits is insignificant.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit- impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit- impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit- impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL-credit-impaired	Lifetime ECL-credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

37. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk (Continued)

Bank balances and restricted bank deposits *(Continued)*

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

				The Group	
	Notes	**Internal credit rating**	**12m or lifetime ECL**	**As at December 31, 2021 Gross carrying amount RMB'000**	As at December 31, 2020 Gross carrying amount RMB'000
Financial assets at amortised cost					
Trade receivables	21	Low risk	Lifetime ECL – not credit-impaired	**2,565**	16,351
Other receivables	21	Low risk	12m ECL	**9,781**	11,638
Amounts due from related parties	23	Low risk	12m ECL	**76,129**	77,250
Bank balances	24	N/A	12m ECL	**1,222,026**	813,592
Restricted bank deposits	24	N/A	12m ECL	**6,111**	6,094

Movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in IFRS 9 as at the end of the reporting period:

	Trade receivables (credit-impaired) RMB'000
At January 1, 2020 and December 31, 2020	–
Impairment losses recognised	(3,040)
Impairment losses reversed	1,399
Write-off	1,641
At December 31, 2021	**–**

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

37. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on bank borrowings and issuance of Preferred Shares as significant sources of liquidity.

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

	Weighted average effective interest rate	Within 1 year and on demand	1 to 2 years	2 to 5 years	Total	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2021						
Trade and other payables	**–**	**78,626**	**–**	**–**	**78,626**	**78,626**
Amount due to a director	**–**	**268**	**–**	**–**	**268**	**268**
Bank borrowings	**4.444%**	**285,758**	**67,095**	**18,284**	**371,137**	**350,729**
Lease liabilities	**2.98%-6.483%**	**6,760**	**5,780**	**2,511**	**15,051**	**13,982**
		371,412	**72,875**	**20,795**	**465,082**	**443,605**
At December 31, 2020						
Trade and other payables	–	67,672	–	–	67,672	67,672
Bank borrowings	4.778%	101,649	150,010	–	251,659	237,250
Lease liabilities	1.56%-6.483%	7,951	7,042	2,776	17,769	17,049
		177,272	157,052	2,776	337,100	321,971
Preferred Shares	8%	–	–	3,825,297	3,825,297	2,474,233

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

37. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements of financial instruments

The fair value of financial assets and financial liabilities (except for those set out below) are determined in accordance with general accepted pricing models based on discounted cash flow analysis using prices from observable current market conditions.

(i) Fair value of the Group's financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of those financial liabilities are determined (in particular, the valuation techniques and inputs used).

Financial liability	Fair value as at December 31,		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	2021 RMB'000	2020 RMB'000				
Preferred Shares	–	2,474,233	Level 3	Back-solve Model and OPM Model – the key inputs are: IPO probability, risk free interest rate, volatility and dividend yield	Volatility 2021: n/a 2020: 73%	The higher the volatility, the lower the fair value (note)

Note: A 5% increase/decrease in volatility, while all other variables keep constant, would decrease the carrying amount of Preferred Shares as at December 31, 2020 by RMB7,258,000, increase the carrying amount as at December 31, 2020 by RMB7,248,000.

There were no transfers between level 1 and level 2 during both years.

(ii) Reconciliation of Level 3 fair value measurements

Details of reconciliation of Level 3 fair value measurement for Preferred Shares and gross obligation from share purchase options written of the Group and share purchase options of the Company are set out in Note 30. Fair value gains or losses on financial liabilities at FVTPL are included in "other gains and loss, net".

(iii) Fair value of financial assets and financial liabilities that are not measured at fair value

The directors of the Company consider that the carrying amount of the Group's financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

38. RETIREMENT BENEFIT PLANS

The employees of the Group's subsidiaries in the PRC are members of the state-sponsored retirement benefit scheme organized by the relevant local government authority in the PRC. The subsidiary is required to contribute, based on a certain percentage of the payroll costs of its employees, to the retirement benefit scheme and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. Contributions paid to the defined contribution schemes for a staff are not available to reduce the Group's future obligations to such defined contribution schemes even if the staff leaves the Group. The total amount provided by the Group to the scheme in the PRC is RMB19,801,000 for the year ended December 31, 2021 (2020: RMB6,264,000).

The Group has a defined contribution plan in the USA where participating employees may contribute up to US$19,500 annually. The Group makes a matching contribution of 3.0% of each eligible participant's compensation. The total cost in respect to the above mentioned defined contribution plan amounted to approximately RMB5,317,000 for the year ended December 31, 2021 (2020: RMB3,874,000).

39. PARTICULARS OF SUBSIDIARIES

As at December 31, 2020 and 2021, the Group's subsidiaries are as follows:

Name of subsidiary	Place/country and date of establishment/ incorporation	Issued and fully paid share/registered capital	Equity interest attributable to the Group as at December 31, 2021	Equity interest attributable to the Group as at December 31, 2020	Principal activities
Directly held					
Mabspace HK	Hong Kong April 6, 2011	HK$10,000	**100%**	100%	Investment holding
Transcenta Biotherapeutics Inc.	Cayman November 15, 2018	US$50,000	**100%**	100%	Investment holding
Transcenta Therapeutics Inc.	USA September 26, 2016	US$2,750,000	**100%**	100%	Research, development and commercialization of innovation therapies

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

39. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of subsidiary	Place/country and date of establishment/ incorporation	Issued and fully paid share/registered capital	Equity interest attributable to the Group as at December 31, 2021	Equity interest attributable to the Group as at December 31, 2020	Principal activities
Indirectly held					
HJB Hangzhou (Note a)	The PRC February 18, 2016	RMB346,832,160	**100%**	100%	Research, development and commercialization of pharmaceutical drug candidates and provision of related technical services
YJ Biosciences Co., Ltd.* (杭州奕健生物科技有限公司) (Note c)	The PRC February 3, 2016	RMB19,607,844	**100%**	100%	Research, develop and commercialize of innovation therapies
Suzhou Transcenta Therapeutics Co., Ltd (Note b)	The PRC October 18, 2012	US$61,657,153	**100%**	100%	Research, development and commercialization of pharmaceutical drug candidates and provision of related technical services
Transcenta Diagnostics (Suzhou) Co., Ltd.* (創勝診斷科技(蘇州)有限公司) (Note c)	The PRC September 18, 2013	RMB5,000,000	**100%**	100%	Research, development and commercialization of innovative therapies
Transcenta Therapeutics (Shanghai) Co., Ltd.* (創勝生物醫藥(上海)有限公司) (Note a)	The PRC May 22, 2019	US$12,500,000	**100%**	100%	Research, development and commercialization of innovative therapies
Just HK	Hong Kong March 7, 2016	HK$1	**100%**	100%	Investment holding
Transcenta Therapeutics (Beijing) Co., Ltd.* (邁博斯生物科技(北京)有限公司) (Note c)	The PRC September 21, 2020	RMB20,000,000	**100%**	100%	Research, development and commercialization of innovative therapies
Transcenta Therapeutics (Guangzhou) Co., Ltd.* (創勝生物醫藥(廣州)有限公司) (Note c)	The PRC June 24, 2020 Limited liability Company	RMB42,000,000	**100%**	100%	Research, development and commercialization of innovative therapies

Notes:

* English name for identification purpose only

a. This Company is a sino-foreign joint venture.

b. This Company is a wholly-foreign owned enterprise

c. This Company is a wholly-domestic owned enterprise.

All of the subsidiaries adopted December 31 as financial year end.

None of the subsidiaries has issued any debt securities as at December 31, 2021.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

40. RECONCILIATION OF ASSETS AND LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's assets and liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings RMB'000	Interest payable RMB'000	Financial liabilities at FVTPL RMB'000	Capital injection to subsidiaries from non-controlling Shareholders RMB'000	Consideration payable for acquiring non-controlling interests RMB'000	Consideration payable for repurchase and cancelation of shares RMB'000	Consideration received for exercising share options RMB'000	Issuance of ordinary shares RMB'000	Lease liabilities RMB'000	Amount due to a director RMB'000	Accrued issue costs RMB'000	Transaction cost payable for issuance of Preferred Shares RMB'000	Total RMB'000
At December 31, 2019	249,723	69	1,808,929	–	–	–	–	–	9,449	708	–	8,270	2,077,148
Financing cash flow	(11,004)	(15,532)	1,035,476	236,871	(574,806)	(37,890)	3,471	3,327	(8,370)	–	(560)	(10,811)	620,172
Share capital	–	–	–	–	–	2	(2)	–*	–	–	–	–	–
Reserve	–	–	–	–	–	37,888	(3,469)	(3,327)	–	(708)	–	–	30,384
Acquisition of non-controlling interests	–	–	–	–	19,999	–	–	–	–	–	–	–	19,999
Finance cost	–	15,463	–	–	–	–	–	–	607	–	–	–	16,070
New leases entered/ lease modified	–	–	–	–	–	–	–	–	15,363	–	–	–	15,363
Exchange difference	(1,469)	–	–	–	(14,310)	–	–	–	–	–	–	–	(15,779)
Fair value changes	–	–	(37,926)	–	–	–	–	–	–	–	–	–	(37,926)
Reorganisation of group structure	–	–	(332,246)	(236,871)	569,117	–	–	–	–	–	–	–	–
Accrued issue costs	–	–	–	–	–	–	–	–	–	–	1,764	–	1,764
Transaction costs for issuance of Preferred Shares	–	–	–	–	–	–	–	–	–	–	–	9,560	9,560
At December 31, 2020	237,250	–	2,474,233	–	–	–	–	–	17,049	–	1,204	7,019	2,736,755
Financing cash flow	**113,851**	**(14,705)**	**278,292**	**–**	**–**	**–**	**340**	**536,034**	**(5,688)**	**–**	**(21,393)**	**(7,019)**	**879,712**
Share capital	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(26)**	**–**	**–**	**–**	**–**	**(26)**
Reserve	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(536,008)**	**–**	**–**	**–**	**–**	**(536,008)**
Finance cost	**–**	**15,167**	**–**	**–**	**–**	**–**	**–**	**–**	**502**	**–**	**–**	**–**	**15,669**
New leases entered	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**9,053**	**–**	**–**	**–**	**9,053**
Lease termination	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(6,934)**	**–**	**–**	**–**	**(6,934)**
Exchange difference	**(372)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(372)**
Fair value changes	**–**	**–**	**1,198,173**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,198,173**
Accrued issue costs	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**20,189**	**–**	**20,189**
Automatic conversion of Preferred Shares upon IPO	**–**	**–**	**(3,950,698)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,950,698)**
At December 31, 2021	**350,729**	**462**	**–**	**–**	**–**	**–**	**340**	**–**	**13,982**	**–**	**–**	**–**	**365,513**

* Amount is less than RMB1,000.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

41. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	At December 31,	
	2021	2020
	RMB'000	RMB'000
Non-current assets		
Investment in subsidiaries	**1,469,791**	1,439,214
Amounts due from subsidiaries	**1,262,460**	833,359
Amounts due from related parties	**–**	77,250
Loan to a subsidiary	**128,172**	–
Other receivables	**–**	10,085
	2,860,423	2,359,908
Current assets		
Other receivables	**8,576**	1,764
Amounts due from related parties	**76,129**	–
Bank balances and cash	**628,395**	511,599
	713,100	513,363
Current liability		
Other payables	**3,172**	9,598
Net current assets	**709,928**	503,765
Total assets less current liability	**3,570,351**	2,863,673
Non-current liabilities		
Financial liabilities at FVTPL	**–**	2,474,233
Amounts due to subsidiaries	**6,770**	6,678
	6,770	2,480,911
Net assets	**3,563,581**	382,762
Capital and reserves		
Share capital	**291**	66
Treasury shares	**(7)**	–
Reserves	**3,563,297**	382,696
Total equities	**3,563,581**	382,762

Notes to the Consolidated Financial Statements

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

Movement in the Company's reserves

	Share premium RMB'000	Share-based payment reserve RMB'000	Retained profits (accumulated losses) RMB'000	Total RMB'000
At January 1, 2020	69,614	106,812	(56,182)	120,244
Profit and total comprehensive income for the year	–	–	103,019	103,019
Issuance of ordinary shares	3,327	–	–	3,327
Recognition of equity-settled share-based payment	–	111,869	–	111,869
Repurchase and cancelation of shares	(37,888)	–	–	(37,888)
Exercise of share options	254,717	(172,592)	–	82,125
At December 31, 2020	289,770	46,089	46,837	382,696
Loss and total comprehensive expense for the year	**–**	**–**	**(1,314,787)**	**(1,314,787)**
Recognition of equity-settled share-based payment	**–**	**30,578**	**–**	**30,578**
Exercise of share options	**2,256**	**(2,007)**	**–**	**249**
Automatic conversion of Preferred Shares upon IPO	**3,950,506**	**–**	**–**	**3,950,506**
Issue of new shares pursuant to IPO	**536,008**	**–**	**–**	**536,008**
Transaction costs attributable to Issuance of new shares	**(21,953)**	**–**	**–**	**(21,953)**
At December 31, 2021	**4,756,587**	**74,660**	**(1,267,950)**	**3,563,297**

42. SUBSEQUENT EVENT

On January 2, 2022, the board of directors of Company approved a total of 1,000,000 restricted share units being granted to Dr. Shi pursuant to the Pre-IPO Equity Incentive Plan.

Three Year Financial Summary

Condensed Consolidated Income Statements

	For the year ended December 31,		
	2019 (RMB'000)	2020 (RMB'000)	**2021 (RMB'000)**
Revenue	44,140	80,980	**50,242**
Cost of Sales	(37,226)	(62,778)	**(40,874)**
Gross Profit	6,914	18,202	**9,368**
Other income	7,554	11,944	**32,906**
Other gains and losses, net	(93,099)	26,745	**(1,199,972)**
Research and development expenses	(214,563)	(200,312)	**(344,370)**
Selling and administrative expenses	(122,918)	(157,949)	**(145,215)**
Listing expenses	–	(5,570)	**(48,605)**
Impairment losses under expected credit loss model	–	–	**(1,641)**
Share of loss of a joint venture	–	–	**(2,952)**
Finance costs	(10,408)	(16,070)	**(15,167)**
Loss before tax	(426,520)	(323,010)	**(1,715,648)**
Income tax (expense) credit	(10,834)	110	**105**
Loss for the year	(437,354)	(322,900)	**(1,715,543)**
Other comprehensive (expense) income for the year	(266)	3,359	**1,751**
Total comprehensive expenses for the year	(437,620)	(319,541)	**(1,713,792)**

Condensed Consolidated Statements of Financial Position

	For the year ended December 31,		
	2019 (RMB'000)	2020 (RMB'000)	**2021 (RMB'000)**
Current assets	487,945	891,457	**1,395,602**
Inventories	6,315	7,901	**20,792**
Trade and other receivables	18,721	31,635	**43,380**
Contract costs	4,809	38,329	**33,275**
Amounts due from related parties	–	–	**76,129**
Bank balances and cash	458,100	813,592	**1,222,026**
Current liabilities	149,979	194,537	**425,810**
Trade and other payables	49,562	88,690	**101,964**
Amount due to a director	708	–	**268**
Contract liabilities	16,576	7,029	**35,967**
Bank borrowings	79,820	91,312	**273,339**
Lease liabilities	3,313	7,506	**6,272**
Deferred income	–	–	**8,000**
Net current assets	337,966	696,920	**969,792**
Non-current assets	1,077,770	1,199,467	**1,149,353**
Non-current liabilities	2,051,896	2,712,632	**153,576**
Net assets (liabilities)	(636,160)	(816,245)	**1,965,569**
Total equity (deficits)	(636,160)	(816,245)	**1,965,569**

Definitions

"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Articles of Association"	the memorandum and articles of association of the Company adopted on June 18, 2021 with effect from the Listing Date, as amended from time to time
"AGM"	the annual general meeting of the Company to be held on Friday, June 10, 2022
"Audit Committee"	the audit committee of the Company
"Board" or "Board of Directors"	the board of directors of our Company
"CDMO"	contract development and manufacturing organization
"CG Code"	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Listing Rules, as amended, supplemented or otherwise modified from time to time
"China" or the "PRC"	the People's Republic of China, and for the purpose of this annual report only, except where the context requires otherwise, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
"CIC Report"	the report prepared by China Insights Industry Consultancy Limited (灼識企業管理諮詢(上海)有限公司), a market research and consulting company, an Independent Third Party
"CMC"	chemistry, manufacturing and controls processes in the development, licensure, manufacturing, and ongoing marketing of pharmaceutical products
"Company", "our Company", "the Company" or "Transcenta"	Transcenta Holding Limited (創勝集團醫藥有限公司) (formerly named Mabspace International Limited), a limited liability company incorporated under the laws of the British Virgin Islands on August 20, 2010 and continued in the Cayman Islands on March 26, 2021 as an exempted company with limited liability under the laws of Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

Definitions

"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transactions"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of our Company
"FDA"	U.S. Food and Drug Administration
"Global Offering"	the Hong Kong Public Offering and the International Offering as defined and described in the Prospectus
"GMP"	good manufacturing practice, the regulations provided by the FDA that guide the design, monitoring, and maintenance of manufacturing facilities and processes
"Group", "our Group", "the Group", "we", "us" or "our"	the Company and its subsidiaries from time to time, and where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"Independent Third Party(ies)"	any entity or person who is not a connected person of our Company or an associate of such person within the meaning ascribed to it under the Listing Rules
"IND"	investigational new drug or investigational new drug application, also known as clinical trial application in China
"Latest Practicable Date"	April 19, 2022, being the latest practicable date for ascertaining certain information in this annual report before its publication
"IPO"	initial public offering
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange

Definitions

"Listing Date"	September 29, 2021, the date on which the Shares are listed and on which dealings in the Shares are fist permitted to take place on the Stock Exchange
"Listing Rules"	the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"NMPA"	National Medical Products Administration of China (國家藥品監督管理局), the successor of the China Food and Drug Administration (國家食品藥品監督管理總局), the State Food and Drug Administration (國家食品藥品監督管理局), and the State Drug Administration (國家藥品監督管理局)
"Nomination Committee"	the nomination committee of the Board
"Post-IPO Share Award Scheme"	the post-IPO share award scheme conditionally approved and adopted by the Company on June 18, 2021
"Pre-IPO Equity Incentive Plan"	the employee equity plan approved and adopted by the Company and effective since January 1, 2019 (as amended from time to time)
"Prospectus"	the prospectus of the Company dated September 14, 2021
"R&D"	research and development
"Remuneration Committee"	the remuneration committee of the Company
"RMB" or "Renminbi"	Renminbi, the lawful currency of PRC
"Reporting Period"	the year ended December 31, 2021
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

Definitions

"Share(s)"	ordinary share(s) in the share capital of the Company, currently with a par value of US$0.0001 each
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed to it thereto in section 15 of the Companies Ordinance
"substantial shareholder"	has the meaning ascribed to it in the Listing Rules
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US dollars", "U.S. dollars", "US$" or "USD"	United States dollars, the lawful currency of the United States
"%"	per cent