东曜药业
TOT BIOPHARM

2021 Annual Report

東曜藥業股份有限公司

TOT BIOPHARM International Company Limited

(Incorporated in Hong Kong with limited liability)

Stock Code:1875

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Dr. Liu, Jun *(Chief Executive Officer)*
Ms. Yeh-Huang, Chun-Ying *(Vice Chairman of the Board)*

NON-EXECUTIVE DIRECTORS
Mr. Fu, Shan *(Chairman of the Board)*
Dr. Kung, Frank Fang-Chien
(resigned with effect from 12 March 2022)
Mr. Kang, Pei *(resigned with effect from 12 March 2022)*
Mr. Qiu, Yu Min

INDEPENDENT NON-EXECUTIVE DIRECTORS
Ms. Hu, Lan
Dr. Sun, Lijun Richard
(resigned with effect from 12 March 2022)
Mr. Chang, Hong-Jen
Dr. Wang, De Qian *(appointed on 12 March 2022)*

AUDIT AND CONNECTED TRANSACTIONS REVIEW COMMITTEE
Ms. Hu, Lan *(Chairlady)*
Mr. Qiu, Yu Min
Mr. Chang, Hong-Jen

REMUNERATION COMMITTEE
Mr. Qiu, Yu Min
(appointed as Chairman on 12 March 2022)
Mr. Chang, Hong-Jen *(ceased to be Chairman and redesignated as a member on 12 March 2022)*
Mr. Kang, Pei *(resigned with effect from 12 March 2022)*
Dr. Sun, Lijun Richard
(resigned with effect from 12 March 2022)
Dr. Wang, De Qian
(appointed as a member on 12 March 2022)

NOMINATION COMMITTEE
Mr. Fu, Shan *(Chairman)*
Ms. Hu, Lan
Dr. Sun, Lijun Richard
(resigned with effect from 12 March 2022)
Dr. Wang, De Qian
(appointed as a member on 12 March 2022)

STRATEGY AND ESG COMMITTEE *(FORMERLY THE STRATEGY COMMITTEE)*
Mr. Fu, Shan *(Chairman)*
Dr. Liu, Jun
Ms. Yeh-Huang, Chun-Ying
Mr. Chang, Hong-Jen
(ceased to be a member on 12 March 2022)
Dr. Sun, Lijun Richard
(resigned with effect from 12 March 2022)
Mr. Qiu, Yu Min
(appointed as a member on 12 March 2022)
Dr. Wang, De Qian
(appointed as a member on 12 March 2022)

JOINT COMPANY SECRETARIES
Mr. Yao, Jau-Chang
(resigned with effect from 1 February 2022)
Mr. Chen, Yifan *(appointed on 1 February 2022)*
Mr. Lui, Wing Yat Christopher *(Associate member of the Hong Kong Chartered Governance Institute and the Chartered Governance Institute in the United Kingdom)*

AUTHORIZED REPRESENTATIVES
Dr. Liu, Jun
Mr. Lui, Wing Yat Christopher

SHARE REGISTRAR
Tricor Investor Services Limited

REGISTERED OFFICE
Level 54, Hopewell Centre,
183 Queen's Road East,
Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC
120 Changyang Street,
Suzhou Industrial Park,
Suzhou, PRC

COMPANY WEBSITE
www.totbiopharm.com.cn

PLACE OF LISTING AND STOCK CODE
The Stock Exchange of Hong Kong Limited
1875

PRINCIPAL BANKS
Shanghai Pudong Development Bank
Bank of China

AUDITOR
PricewaterhouseCoopers
Certified Public Accountants and Registered Public Interest Entity Auditor

LEGAL ADVISER
Sullivan & Cromwell (Hong Kong) LLP

INVESTORS AND MEDIA RELATIONS CONSULTANT
Strategic Financial Relations (China) Limited

CEO STATEMENT

Dear Shareholders,

The year of 2021 marked TOT BIOPHARM's entry into its second decade, and it was also a year in which all employees of TOT BIOPHARM made great efforts to achieve fruitful results. On behalf of the Board, I would like to express my sincere gratitude to our shareholders and investors for their support towards the Group's development over the years, and hereby announce the annual results of the Group for the year of 2021.

INDUSTRY AND BUSINESS REVIEW

With the COVID-19 pandemic sweeping the world and the issuance of guidance for the 14th Five-Year Plan for the pharmaceutical industry by the Ministry of Industry and Information Technology, the construction of a "Healthy China" is in full swing, and a new round of technological evolution and industrial integration in the Chinese pharmaceutical market is imperative. With its base in China and its global outlook, TOT BIOPHARM actively seized the opportunities arising from the rapid development of the pharmaceutical industry, optimized the allocation of market resources, and moved towards the goal of differentiated and innovative development. In 2021, we accelerated the commercialization of our key products, promoted the research and development of our core ADC product pipelines, and vigorously expanded into the CDMO market to further highlight our core competitiveness. We successfully reached our established milestones and we were committed to our strategic transformation objectives in order to lay the foundation for the next phase of rapid development of the Company.

In 2021, the Group's revenue was RMB76,325,000, representing an increase of 239.36% compared with RMB22,491,000 in 2020, of which revenue from CDMO/CMO business was RMB53,690,000. In adherence to the Company's strategic development defensive line, we continued to focus on R&D in key areas, optimize our resource allocation, and control our expenses for non-core and early-stage R&D projects. In 2021, our research and development expenses amounted to RMB214,699,000, representing a decrease of 8.72% compared with RMB235,196,000 of 2020. The research and development expenses were mainly attributable to the Phase III clinical study of the ADC drug TAA013 and the decrease in research and development expenses was due to the successful completion of the Phase III clinical study of the bevacizumab injection TAB008 (Pusintin®) which led to its commercialization during the year.

In 2021, we promoted the commercialization of our products and enhanced the accessibility of our drugs.

The Company's first self-developed biological drug, bevacizumab injection (TAB008; Pusintin®), was approved for marketing. We successively entered into an exclusive marketing partnership with Jiangxi Jixin Pharmaceutical Co., Ltd. (江西濟鑫醫藥有限公司) for the Chinese market, and a commercialization license agreement with Kexing Biopharm Co., Ltd. (科興生物製藥股份有限公司) (688136.SH) for overseas emerging markets. This is the first product of the Company to be commercialized overseas.

The Company has also received marketing approval for the chemical drug temozolomide capsules (TOZ309, Tazian®), and has completed the application for inclusion in provincial online procurement platforms and also entered into a marketing partnership with Jiangxi Jixin Pharmaceutical Co., Ltd. for the Chinese market to fully prepare for centralized procurement contract renewal in 2022.

Megestrol acetate oral suspension (TOM218; Megaxia®) has also been approved for marketing and on 1 March 2022, Frontier Biotechnologies Inc. (前沿生物藥業(南京)股份有限公司) (688221.SH) was granted the marketing promotion license in the field of AIDS to promote the accessibility of the drug in the Chinese market.

In 2021, we continued to promote the development of core products and remained in the top tier of ADC drug field.

The development of ADC drugs has received significant attention from the market. TAA013, an anti-HER2 targeted antibody drug conjugate self-developed by TOT BIOPHARM, is currently under phase III clinical study in over 70 clinical centers in China, being the T-DM1 ADC drug with the fastest clinical progress in China and ranking in the top tier in terms of R&D progress among the ADC drugs.

In 2021, we accelerated the expansion of one-stop innovative drugs CDMO business to provide effective solutions for innovative drugs development.

With an eye on future developments and in the face of international and domestic CDMO market opportunities, TOT BIOPHARM fully leveraged its commercial production platforms and technology platforms and integrated its industry resources to achieve encouraging results in its CDMO business, with new orders exceeding RMB100 million in 2021 and a significant surge in the number of customers and orders. The Company has established a professional CDMO management team and an independent and complete management system to empower its business partners and accelerate the development and production of innovative drugs. At the same time, the Company has entered into a strategic cooperation with BrightGene Bio-Medical Technology Co., Ltd. (博瑞生物醫藥(蘇州)股份有限公司) (688166.SH) to further strengthen our one-stop CDMO service platform through the formation of this solid alliance.

In 2021, we consolidated our commercial production advantages and improved the flexibility of our production capacity and production line.

TOT BIOPHARM has devoted great efforts to developing and improving its production capacity to meet the demand of different scales of production for small trials, pilot tests and commercialization. At present, we have completed the construction of a commercial ADC production plant, which encompasses a workshop for mAb substances and formulations as well as production facilities for ADC drug substance and freeze-dried formulations. It is expected that by the first half of 2022, the production capacity of our commercial production base for biological drugs will reach around 20,000 liters, which will realize the high-quality commercial production of innovative drugs. At the same time, our rational planning of production facilities has created ADC and mAb production lines that can meet the needs of diverse and flexible pilot tests and commercialization, further enhancing our competitive advantages of commercial production capacity and empowering our business partners to accelerate the development of biological drugs for commercial mass production.

In 2021, we focused on enhancing our integrated strengths in technology R&D and led our development with innovation.

Leveraging our location in the biomedical industry hub of Suzhou Industrial Park, TOT BIOPHARM launched the construction of its global R&D center on 9 November 2021 under the guidance of the Group's regional positioning and strategic planning. The global R&D center will have a total gross floor area of 25,000 square meters and will be equipped with functions such as early-stage R&D, process development, quality control and head office. The completion of the global R&D center will further enhance our strengths in innovative drug process development, deepen TOT BIOPHARM's leading position in the field of ADC drugs, and further strengthen the functions of the Group's global headquarters and its corporate brand image.

In 2021, we continued to practice good corporate governance and organizational development to safeguard the Company's sustainable operation.

With all the changes in the external environment, society and the industry, all personnel of TOT BIOPHARM have continued to cultivate their skills and capabilities. They are fully aware of the importance of innovation and development as well as social responsibility. In 2021, the Board established the "Strategy and ESG Committee" to better promote the healthy development of the Company and the industry. In accordance with the Company's strategic plan, we have further strengthened our organization and team-building in alignment with the Company's key businesses, and have optimized the organization of non-core businesses such as chemical drugs and marketing, thereby driving the Company into the next decade of healthy, rapid and sustainable development.

In 2021, with the increasing participation of Chinese pharmaceutical companies in the fight against the global pandemic, we provided CDMO services for COVID-19 neutralizing antibodies project of Jiangxi Jemincare Group Co., Ltd. (江西濟民可信集團有限公司), and completed the delivery of the project 1.5 months ahead of schedule. We also assisted Kintor Pharmaceutical Limited (開拓藥業有限公司) (9939.HK) by providing technical services and support for the clinical trials in respect of proxalutamide conducted simultaneously in countries such as Brazil and the United States against COVID-19 indications.

OUTLOOK

To usher in a new era in the Year of Tiger, we shall seize every opportunity to shine in the future! In 2022, all personnel of TOT BIOPHARM will advance with perseverance and strive to continue our mission, always uphold the Company's vision of "improving the well-being and quality of life of cancer patients around the world with innovative technologies", and work closely with our industrial partners to contribute to the innovative development of China's pharmaceutical industry!

Dr. Liu, Jun
Chief Executive Officer and Executive Director

24 March 2022

Schematic diagram of Suzhou headquarters of TOT BIOPHARM

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL SUMMARY

HKFRSs Results

The following table sets forth the net loss and total consolidated loss for the periods indicated:

	For the year ended 31 December		
Item	**2021 RMB'000**	2020 RMB'000	**Increase/ Decrease**
Revenue	**76,325**	22,491	239%
Cost of revenue	**(48,851)**	(6,961)	602%
Research and development expenses	**(214,699)**	(235,196)	-9%
Selling expenses	**(22,849)**	(25,953)	-12%
General and administrative expenses	**(56,336)**	(46,855)	20%
Other income	**167**	–	NA
Other gains, net	**6,543**	3,802	72%
Operating loss	**(259,700)**	(288,672)	-10%
Finance income	**969**	1,880	-48%
Finance costs	**(2,468)**	(1,706)	45%
Share of net loss of the joint venture accounted for using the equity method	**(17)**	–	NA
Net loss	**(261,216)**	(288,498)	-9%
Other comprehensive loss	**(956)**	(3,254)	-71%
Net loss and total comprehensive loss	**(262,172)**	(291,752)	-10%

Non-HKFRSs Measures and their Adjustment

To supplement the Group's consolidated financial statements which are presented in accordance with the HKFRSs, the Group uses EBITDA, adjusted net loss and adjusted EBITDA for the year and other adjusted figures as additional ways to measure our financial performance. This is not a presentation required by the HKFRSs or in accordance with the HKFRSs. The Group believes that these adjusted measures provide useful information to the shareholders and potential investors in understanding and evaluating the Group's consolidated operating results in the same manner as the Group's management does.

The adjusted net loss for the year refers to the net loss for the year, excluding the effect of share-based compensation expenses, which is a non-cash and one-off item. The adjusted net loss for the year is not defined in the HKFRSs.

The adjusted EBITDA for the year refers to the EBITDA for the year (which is net loss for the year excluding interest expenses and depreciation and amortization expenses for the year), excluding the effect of share-based compensation expenses, which is a non-cash and one-off item. The adjusted EBITDA for the year is not defined in the HKFRSs.

The use of these non-HKFRSs measures have limitations as an analytical tool, and should not be considered in isolation from, or as a substitute for analysis of, the Group's operating results of or financial condition as reported under the HKFRSs. The adjusted figures presented by the Group may not be comparable to benchmarks of a similar measures presented by other companies. However, the Group believes that these non-HKFRSs measures is able to eliminate the potential impact of items that the management does not consider to be indicative of the Group's operating performance and can reflect the Group's normal operating results, thus facilitating the comparison of operating performance from period to period and from company to company to an appropriate extent.

The following table sets forth the reconciliation from net loss to EBITDA for the periods indicated:

	For the year ended 31 December	
Item	**2021 RMB'000**	2020 RMB'000
Net loss	**(261,216)**	(288,498)
Add:		
Interest expenses	**2,468**	1,706
Depreciation and amortization	**34,237**	32,082
EBITDA	**(224,511)**	(254,710)

The following table sets forth the reconciliation between net loss to adjusted net loss and EBITDA to adjusted EBITDA for the periods indicated:

	For the year ended 31 December	
Item	**2021 RMB'000**	2020 RMB'000
Net loss	**(261,216)**	(288,498)
Add:		
Share-based compensation expenses	**5,296**	15,832
Adjusted net loss	**(255,920)**	(272,666)
EBITDA	**(224,511)**	(254,710)
Add:		
Share-based compensation expenses	**5,296**	15,832
Adjusted EBITDA	**(219,215)**	(238,878)

The adjusted net loss for 2021 was RMB255,920,000, representing a decrease of RMB16,746,000 as compared to the adjusted net loss for 2020 of RMB272,666,000. The adjusted EBITDA for 2021 was RMB219,215,000, representing a decrease of RMB19,663,000 as compared to the adjusted EBITDA for 2020 of RMB238,878,000. Such decreases were primarily attributable to the breakthrough growth of CDMO/CMO business and the absence of related significant expenses for clinical trials in 2021 subsequent to the Company's completion of the Phase III clinical trial of TAB008 project in the second half of 2020.

Overview

In 2021, the Group recorded an operating revenue of RMB76,325,000 and a net loss of RMB261,216,000, as compared to an operating revenue of RMB22,491,000 and a net loss of RMB288,498,000 in 2020. The Group's research and development expenses in 2021 were RMB214,699,000, as compared to RMB235,196,000 in 2020. The Group's general and administrative expenses in 2021 were RMB56,336,000, as compared to RMB46,855,000 in 2020. The Group's selling expenses in 2021 were RMB22,849,000, as compared to RMB25,953,000 in 2020.

Operating Revenue and Cost of Revenue

The Group's diversified revenue mainly includes revenue for providing CDMO and CMO services, revenue from royalties and commissions for marketing services from our strategic business partners, etc.

The Group's revenue from CDMO and CMO services in 2021 was RMB53,690,000, representing an increase of RMB47,267,000 from RMB6,423,000 in 2020, primarily attributable to increase in orders brought by our strategic expansion of CDMO and CMO business in the current year. As a result, costs for raw materials, labor and production, etc. also increased.

The Group's revenue from royalties in 2021 was RMB5,943,000 (2020: Nil), primarily attributable to the milestone payment received from a project.

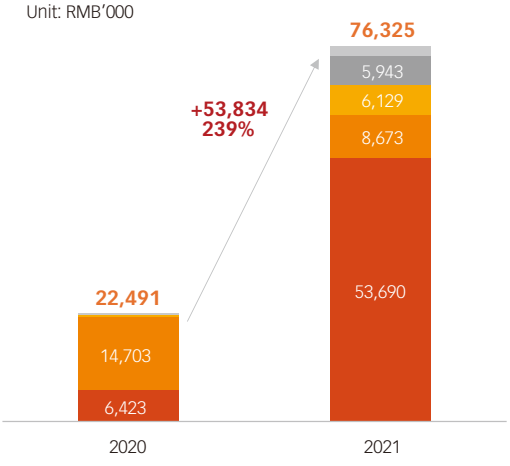
The Group's commission revenue in 2021 was RMB8,673,000, representing a decrease of RMB6,030,000 from RMB14,703,000 in 2020, primarily attributable to the decrease in sales of distributed product S-1 caused by the national volume-based procurement policy.

Research and Development Expenses

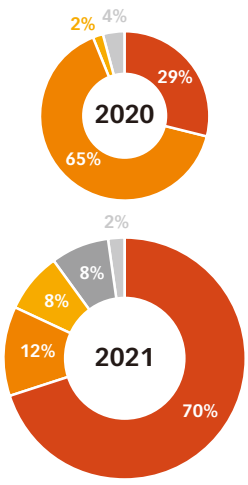
The Group's research and development expenses primarily consist of salaries and benefits for research and development staff, expenses for clinical trials, research and development materials and consumables, depreciation and amortization expenses and third-party contracting costs for clinical and non-clinical research, etc.

The Group's research and development expenses in 2021 were RMB214,699,000, representing a decrease of RMB20,497,000 from RMB235,196,000 in 2020, mainly attributable to the absence of related significant expenses for clinical trials in 2021 subsequent to the Company's completion of the Phase III clinical trial of TAB008 project in the second half of 2020.

Income Distribution



% Income by Each Category



The following table sets forth a breakdown of the Group's research and development expenses by nature for the periods indicated:

	For the year ended 31 December	
	2021 RMB'000	2020 RMB'000
Clinical trials (exclude employee benefit expenses)	**66,287**	74,915
Employee benefit expenses	**63,335**	58,840
R&D materials and consumables	**26,946**	31,331
Depreciation and amortization	**29,207**	28,205
Utilities	**9,382**	11,790
Other third-party research contracting costs	**2,289**	8,241
Others	**17,253**	21,874
Total	**214,699**	235,196

Selling Expenses

The Group's selling expenses primarily consist of salaries and benefits for marketing staff, conference fees, marketing and promotion expenses, and travelling expenses, etc.

The Group's selling expenses in 2021 were RMB22,849,000, representing a decrease of RMB3,104,000 from RMB25,953,000 in 2020, mainly due to the adjustment of sales strategies which resulted in a decrease in related expenses.

General and Administrative Expenses

The Group's general and administrative expenses primarily consist of salaries and benefits for management and administrative staff, legal advisory fees, and expenses for professional services related to audit and tax, etc.

The Group's general and administrative expenses in 2021 were RMB56,336,000, representing an increase of RMB9,481,000 from RMB46,855,000 in 2020, primarily attributable to increase in costs incurred for structural reform, enhancement of compliance management, and human resources and administrative affairs, etc.

Other Gains, Net – Government Grants

The Group's government grants consist of incentives, interest subsidies and other subsidies for research and development activities.

The Group's government grants in 2021 were RMB10,956,000, representing an increase from RMB2,736,000 in 2020, primarily attributable to the increase in project applications and approvals for major projects.

Other Gains, Net – Net Foreign Exchange Gains

The Group recorded net foreign exchange gains of RMB1,244,000 in 2021, representing an increase of RMB920,000 from net foreign exchange gains of RMB324,000 in 2020, primarily attributable to fluctuations of exchange rates.

Finance Income

The Group's finance income is primarily interest income on bank deposits.

The finance income in 2021 was RMB969,000, representing a decrease of RMB911,000 from RMB1,880,000 in 2020, mainly attributable to increase in operation activities. In addition, the interest income on the principal-guaranteed structured deposits previously placed with licensed commercial banks was recorded as other income instead of finance income.

Finance Costs

The Group's finance costs are primarily interest expenses on bank borrowings for operational needs and capacity enhancement, etc.

The Group's finance costs in 2021 were RMB2,468,000, representing an increase of RMB762,000 from RMB1,706,000 in 2020, primarily attributable to increase in interest expense as a result of the banking facilities being utilized by the Group since mid-2021.

Income Tax Expense

The Group did not incur any income tax expense in 2021 and 2020 as the Group did not generate any taxable income during these two years.

Loss for the Year

In view of the abovementioned factors, the Group recorded a net loss of RMB261,216,000 in 2021, representing a decrease of RMB27,282,000 from RMB288,498,000 in 2020.

Net Assets

The Group's net assets as at 31 December 2021 were RMB335,091,000, representing a decrease of RMB247,266,000 from net assets of RMB582,357,000 as at 31 December 2020, primarily attributable to the net loss recorded for the current year.

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Total current assets	**305,963**	249,227
Total non-current assets	**404,300**	391,956
Total assets	**710,263**	641,183
Total current liabilities	**260,808**	52,743
Total non-current liabilities	**114,364**	6,083
Total liabilities	**375,172**	58,826
Net assets	**335,091**	582,357

Cash Movement and Source of Funds

As at 31 December 2021, the Group's cash and cash equivalents were RMB152,805,000, representing a decrease of RMB72,728,000 from RMB225,533,000 as at 31 December 2020, mainly attributable to cash inflows and outflows for operating loss, capital expenditures and the taking out of bank borrowings, etc.

In 2021, the Group's net cash outflows for operating activities were RMB177,137,000, representing a decrease of RMB85,979,000 from net cash outflows of RMB263,116,000 in 2020, primarily attributable to decrease in net loss in the current year and the change in working capital. The Group's net cash outflows from investing activities were RMB108,393,000, as compared to net cash inflows of RMB12,526,000 in 2020, primarily attributable to the placement of more principal-guaranteed structured deposits with licensed commercial banks during the prior period. The Group's net cash inflows for financing activities were RMB214,082,000, as compared to net cash outflows of RMB61,707,000 in 2020, primarily attributable to the taking out of new bank borrowings by the Group in 2021 as opposed to repayment of borrowings by the Group in the previous year.

Indebtedness and Key Liquidity Ratios

As at 31 December 2021, the Group had outstanding bank borrowings of RMB205,966,000 (31 December 2020: Nil) and had unutilised bank facilities of RMB120,225,000 (31 December 2020: RMB150,000,000). For further details, please refer to note 29 to the consolidated financial statements.

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

	As at 31 December	
	2021	2020
Current ratio[(1)]	**1.2**	4.7
Quick ratio[(2)]	**1.1**	4.6
Debt to asset ratio[(3)]	**0.5**	0.1

Notes:

(1) Current ratio is calculated by dividing current assets by current liabilities as at the same date.

(2) Quick ratio is calculated by dividing current assets less inventories and by current liabilities as at the same date.

(3) Debt to asset ratio is calculated by dividing total liabilities by total assets as at the same date.

The Group's current ratio and quick ratio decreased from 2020 to 2021 and its debt to asset ratio increased from 0.1 as at 31 December 2020 to 0.5 as at 31 December 2021, primarily attributable to the increase in bank borrowings in the first half of 2021.

Major Investment

On 9 November 2021, the Group commenced the construction of its global R&D center. The proposed total investment for the project is approximately RMB180 million. On 31 December 2021, TOT Suzhou (a wholly-owned subsidiary of the Company) entered into a construction agreement with Shanghai Baoye Group Corp., Ltd. (上海寶冶集團有限公司), under which the total contract sum payable to Shanghai Baoye Group Corp., Ltd. is RMB83,500,000.14. During the year ended 31 December 2021, the Group had not incurred any major capital expenditure in connection with the project. Further details are set out in the announcement of the Company dated 31 December 2021.

Save as disclosed above, the Group did not make any major investment during the year ended 31 December 2021.

Major Acquisitions and Disposals

During the year ended 31 December 2021, the Group did not have any major acquisitions and disposals of subsidiaries, consolidated affiliated entities or associates.

Pledge of Assets

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

Contingent Liabilities

As at 31 December 2021, the Group had no significant contingent liabilities.

Foreign Exchange Risk

Certain bank balances and cash, trade receivables and other receivables, contract assets and other payables are denominated in foreign currencies of respective group entities which are exposed to foreign exchange risk. Foreign exchange risk also arises from future commercial transactions and recognized assets and liabilities denominated in a currency other than the functional currency of the relevant group entity. The Group has entities operating in USD, NTD and RMB, and the Group will constantly review the economic situation and its foreign exchange risk profile, and will consider appropriate hedging measures in the future when necessary.

Employees and Remuneration

As at 31 December 2021, the Group had a total of 337 employees. The following table sets forth the total number of employees by function as of 31 December 2021:

Function	Number of employees	% in total
Research and development	199	59.05%
Sales and marketing	18	5.34%
General and administration	39	11.57%
Manufacturing	81	24.04%
Total	337	100%

In 2021, the Group incurred employee benefit expenses of RMB129,518,000, as compared to RMB106,382,000 in 2020. The employee benefit expenses of the Group includes salaries, wages, bonuses, contributions to employee provident fund and social security funds, payments for other benefits and share-based compensation expenses, etc. In accordance with applicable PRC laws, the Group has made contributions to social security insurance funds, including basic pension insurance, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance, and housing provident funds for its employees. In accordance with applicable Taiwan laws, the Group has made contributions to social security insurance funds.

For the year ended 31 December 2021, the remuneration of the senior management of the Company other than Directors (as named in the section headed "Biographies of directors and senior management" in the Company's 2020 annual report and/or this annual report, to the extent such personnel were under employment with the Group at any time during the year ended 31 December 2021) included salaries, wages, bonuses, and share-based compensation expenses, and fell within the following bands:

Remuneration band	Number of senior management members
RMB1,000,001 to RMB1,500,000	5
RMB1,500,001 to RMB2,000,000	2
RMB2,000,001 to RMB2,500,000	1
RMB2,500,001 to RMB3,000,000	1

Impact of COVID-19

As disclosed in the section headed "Management discussion and analysis – Response to COVID-19 and Enhancement of ESG Management" on page 24 of this annual report, the Group implemented its anti-pandemic control measures with reference to changes in local pandemic policies in 2021. As at the date of this report, the Group has not experienced and currently do not expect any material impact from COVID-19 on its R&D, clinical trials and production.

INDUSTRY AND COMPANY PROFILE

Alongside the new stage of rapid development of the domestic pharmaceutical market, technological revolution and industrial integration have accelerated, thus providing a vast number of cancer patients in China with more diversified and affordable treatment alternatives and greatly improving the health of the Chinese people. According to a report by Frost & Sullivan, the size of the Chinese oncology drugs market reached US$28.6 billion in 2020, and is expected to reach US$60.3 billion in 2025, representing a compound annual growth rate of 16.1%, which is substantially higher than that of other regions around the world for the same period, including the United States.

In 2021, in line with the development of the international and domestic pharmaceutical markets, TOT BIOPHARM actively adjusted its strategic planning and fully capitalized on its competitive edges with the aim of becoming a leader of the ADC market in China. The Company strengthened its R&D and industrial planning for ADC drugs and achieved new breakthroughs in the field of CDMO for innovative drugs. With the marketing approvals for three products granted by the National Medical Products Administration ("NMPA"), namely bevacizumab injection (TAB008; Pusintin®), temozolomide capsules (TOZ309; Tazian®) and megestrol acetate oral suspension (TOM218; Megaxia®), the Company successfully launched these products and entered into strategic marketing partnerships with renowned pharmaceutical companies in China. The Company also formed a strategic cooperation with Kexing Biopharm Co., Ltd. (科興生物製藥股份有限公司) (688136.SH) ("Kexing Biopharm") for the commercial licensing of Pusintin® in overseas markets, thereby strengthening TOT BIOPHARM's presence in domestic and international markets.

Following the reform and development trend of state policies for the pharmaceutical industry, national volume-based procurement and medical insurance negotiation for innovative drugs became normalized, resulting in the continued expansion of the National Reimbursement Drug List. The Group joined hands with China Resources Pharmaceutical and Commercial Group International Trade Company Limited (華潤醫藥商業集團國際貿易有限公司) ("China Resources Pharmaceutical and Commercial Group") to actively promote the revolution of our business and operating model for oncology drugs, to explore the innovative development of the oncology drugs market, and to incorporate our existing sales team into the joint venture, namely Huayao Pharmaceutical (Suzhou) Company Limited (華曜醫藥(蘇州)有限公司) ("Huayao Pharmaceutical"), thereby reasonably controlling our marketing expenses and upgrading the operational efficiency of the Company as a whole.

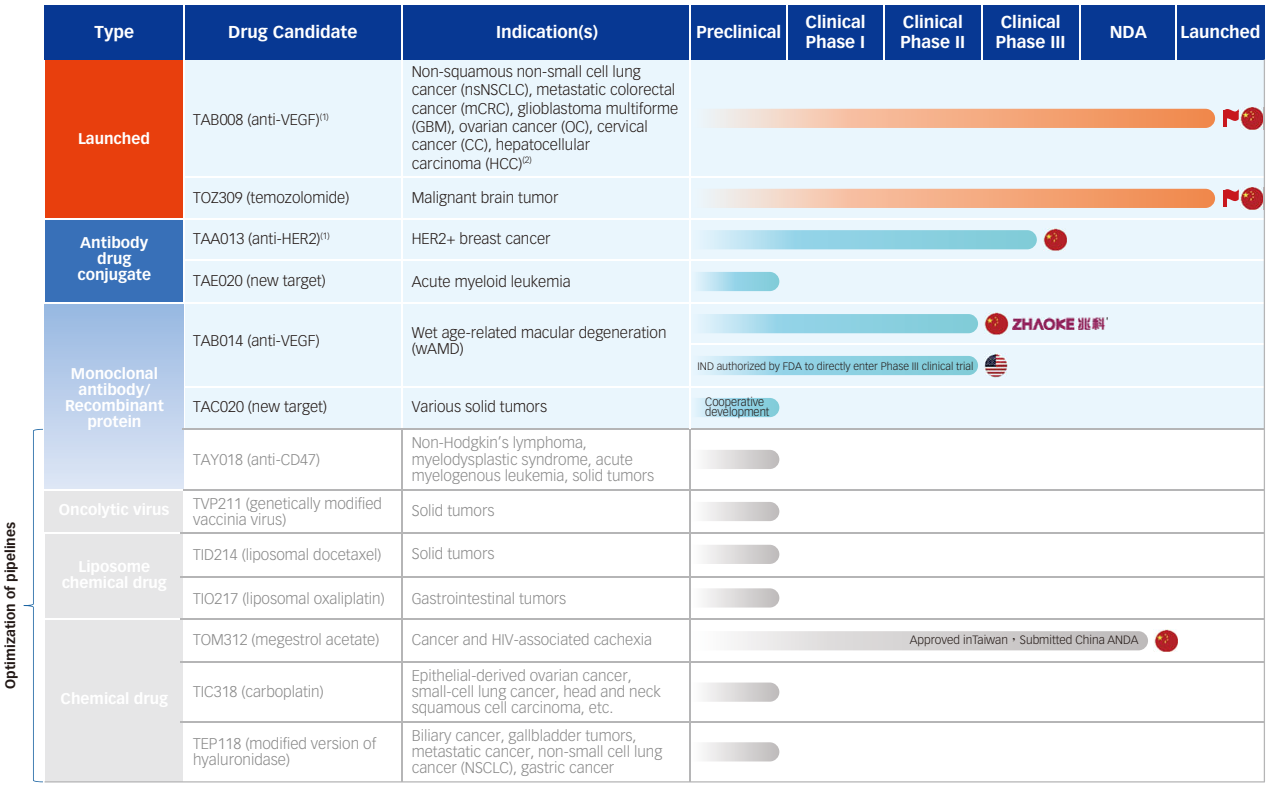
KEY MILESTONES AND BUSINESS PROGRESS

- ### Updated Product Pipelines

In 2021, TOT BIOPHARM focused on advancing the R&D progress of its main product pipelines at the late clinical stage, with three products approved for launch. The Group also prioritized the Phase III clinical trial of TAA013. Two self-developed products were approved for launch by the NMPA, including the bevacizumab injection (TAB008; Pusintin®) on 30 November and the chemical drug temozolomide capsules (TOZ309; Tazian®) in May. In addition, an imported in-licensed drug named megestrol acetate oral suspension (TOM218; Megaxia®) was also approved for launch in May. Meanwhile, along with the strategic adjustment of the Company, drug candidates at the early clinical stage as well as non-core product pipelines, including chemical drugs and liposome drugs, were optimized to converge the Group's advantages and resources so as to enhance its core competitiveness.

- ### Drug Development Partnerships

In respect of cooperation for the R&D of innovative oncology drugs, TOT BIOPHARM launched its collaborative platform to facilitate global strategic cooperation in the joint R&D of innovative target antibody drugs with HBM Holdings Limited (和鉑醫藥控股有限公司) (2142.HK). Leveraging on TOT BIOPHARM's key R&D technologies and high-quality production capabilities, both parties worked together to initiate an antibody R&D project on innovative tumor targets and started the joint R&D and commercialization of innovative humanized antibody drugs.



Notes:

(1) ***Cautionary statement required by Rule 18A.05 of the Listing Rules: The Company cannot guarantee that it will be able to ultimately market TAB008, or successfully develop and ultimately market TAA013. Shareholders and potential investors of the Company are advised to exercise due care when dealing in the securities of the Company.***

(2) In November 2021, TAB008 was approved for (i) advanced, metastatic or recurrent non-squamous non-small cell lung cancer (nsNSCLC); and (ii) metastatic colorectal cancer (mCRC). In March 2022, TAB008 was additionally approved for (iii) recurrent glioblastoma multiforme (GBM); (iv) epithelial ovarian cancer (OC), fallopian tube cancer or primary peritoneal cancer; and (v) cervical cancer (CC). In April 2022, TAB008 was further additionally approved for (vi) hepatocellular carcinoma (HCC).

- **Three Products Approved for Launch**

  Having an international team for drug registration management and with a series of completed reporting procedures, TOT BIOPHARM accumulated extensive and comprehensive practical experience in 2021, ranging from applications for clinical research (INDs) to new drug marketing applications (NDAs), from domestically manufactured drugs to imported products, from chemical drugs to biological drugs (including ADCs etc.) and from filings with the NMPA to filings with the United States Food and Drug Administration (the "FDA"). Meanwhile, the Group maintained smooth communication with relevant drug administration authorities in China, the United States and Europe, enabling it to closely monitor changes in domestic and international regulations and policies on registration and filing and efficiently arrange targeted research and analysis. Through close cooperation with Kexing Biopharm for the filing of Pusintin®, the Group has learnt more about the filing regulations and policies for drugs in overseas markets and accumulated more practical experience, thus preparing it to secure a foothold in the international market in the future and providing stronger support to the development of its CDMO/CMO business.

Product Image of Pusintin®

  – **TAB008 (Pusintin® – bevacizumab injection)** was approved for launch by the NMPA on 30 November 2021 for the treatment of advanced, metastatic or recurrent non-squamous non-small cell lung cancer and metastatic colorectal cancer. Pusintin® is an anti-vascular endothelial growth factor monoclonal antibody (anti-VEGF mAb) and a biosimilar of Avastin®, and is also the first antibody drug of TOT BIOPHARM approved for launch. Since bevacizumab biosimilars cover a number of cancers with high incidences in China, its market demand is enormous. According to relevant data, the global sales of bevacizumab biosimilars reached US$6.09 billion in 2020, and is expected to reach approximately RMB10 billion in the Chinese market in 2030.

    Upon the launch of this product, and in accordance with the relevant requirements of the "Technical Guidelines for Clinical Changes of Marketed Chemical Drugs and Biological Products" (《已上市化學藥品和生物製品臨床變更技術指導原則》) and the "Technical Guidelines for Similarity Evaluation and Indication Extrapolation of Biosimilars" (《生物類似藥相似性評價和適應症外推技術指導原則》), in addition to the two approved applications of Pusintin® for the treatment of metastatic colorectal cancer and advanced, metastatic or recurrent non-small cell lung cancer, three other indications, namely (i) recurrent glioblastoma multiforme, (ii) epithelial ovarian cancer, fallopian tube cancer or primary peritoneal cancer, and (iii) cervical cancer, were approved by NMPA in early March 2022, while the application for hepatocellular carcinoma has been accepted for processing.

  – **TOZ309 (Tazian® – temozolomide capsules)**, a generic TEMODAR® drug was approved for launch by the NMPA in May 2021. Temozolomide is an alkylating agent of imidazotetrazine with anti-tumor activity that can kill cancer cells by damaging their DNA. With improved efficacy and fewer side effects than conventional chemotherapy, temozolomide capsules are used as a first-line medication for both newly diagnosed and recurrent brain glioma as well as recurrent anaplastic astrocytoma.

Product Image of Tazian®

– **TOM218 (Megaxia® – megestrol acetate oral suspension)** was approved for launch by the NMPA in May 2021 and was imported and in-licensed from TWi Pharmaceuticals, Inc. (安成國際藥業股份有限公司) by the Group with a specification of 125 mg/mL (150 mL/bottle). The Group owns the exclusive agency rights of the drug in mainland China, Hong Kong and Macau. The drug's main ingredient is megestrol acetate (a semisynthetic progesterone derivative), which can effectively alleviate cachexia symptoms in AIDS and cancer patients, including loss of appetite and decreasing body weight, as well as occasional nausea and vomiting. The oral suspension can relieve the patients' discomfort in swallowing more effectively than the solid dosage form. This product has been approved for launch in the United States since 2014 and is currently the first concentrated megestrol acetate oral suspension approved for launch in China. TOM218 oral suspension adopts nanocrystalline technology to improve patient treatment compliance, thus facilitating more effective absorption by their bodies.

Product Image of Megaxia®

- Key Products at Clinical Stage and Achievements
  – *Core Product TAA013 – Steady Progress in Phase III Clinical Trial*

    TAA013 is an ADC drug candidate containing trastuzumab and an emtansine derivative (Trastuzumab – MCC-DM1) for the treatment of local advanced or metastatic HER2+ breast cancer which cannot be cured by trastuzumab and is unresectable. In July 2020, the drug was successfully administered to the first patient in the Phase III clinical trial. As of the end of 2021, the Phase III clinical trial of TAA013 had progressed as expected and more than 70 clinical research centers across the country had initiated clinical trials. It is expected that the patient enrollment of the Phase III clinical trial of the drug will be completed in the first half of 2022. Our clinical progress is in a leading position in China.

  – *TAB014 (anti-VEGF mAb) (wet age-related macular degeneration (wAMD))*

    The sales rights of TAB014 (anti-VEGF mAb) in mainland China, Hong Kong and Macau were transferred to Zhaoke Ophthalmology Limited (兆科眼科有限公司) (6622.HK). In early March 2022, TOT BIOPHARM entered into a supplementary agreement with Zhaoke Ophthalmology Limited, pursuant to which the Group will continue to leverage its competitiveness in the commercial production of antibody drugs to manufacture high-quality drugs for the benefit of a vast number of patients suffering from ophthalmologic diseases in China.

    Following correspondence with the NMPA's Center for Drug Evaluation (CDE), the Group has been granted permission to begin the Phase III clinical trial directly, bypassing Phase II, based on the data from the Phase I clinical trial and relevant clinical literature. Meanwhile, the Group took an active role in consulting and communication with the FDA and filed an application with the FDA for the Phase III clinical trial (conducted in China only). The FDA approved the commencement of the Phase III clinical trial and clinical data derived therefrom could form part of the key clinical data supporting the application for launch in the United States.

MARKETING AND STRATEGIC COOPERATION

In order to actively respond to the changes in the commercialization market of the pharmaceutical industry, TOT BIOPHARM has opened up its cooperation platform for alliance formation and complementary market collaboration in order to establish long-term, mutually-beneficial strategic relationships with its industry partners.

- ### Strategic Marketing Cooperation with Jimin Kexin Pharmaceutical

  Jiangxi Jixin Pharmaceutical Co., Ltd. (江西濟鑫醫藥有限公司) ("Jixin Pharmaceutical"), a wholly-owned subsidiary of Jiangxi Jimin Kexin Pharmaceutical Industry Investment Co., Ltd. (江西濟民可信醫藥產業投資有限公司) ("Jimin Kexin Pharmaceutical"), is known for its extensive experience and outstanding results in the Chinese oncology drug market. Its marketing network covers third and fourth-tier cities and county-level cities, which greatly improves patients' accessibility to drugs. TOT BIOPHARM entered into exclusive promotion agreements with Jixin Pharmaceutical for the marketing of TOZ309 Tazian® and TAB008 Pusintin® in mainland China to promote the products in the market at a quick pace and to continuously strengthen product awareness through patient patronage and academic promotion activities. In 2021, in respect of TOZ309 Tazian®, procedures for its inclusion in provincial online procurement platforms were carried out in line with marketing strategy, and marketing and promotion activities aiming at non-centralized procurement channels were also commenced. Accordingly, the drug was included in the provincial centralized procurement platforms of more than 90% of China's provinces, thus accelerating its market penetration and making full preparation for the renewal of the fourth round of national centralized procurement.

- ### Cooperation with Kexing Biopharm in Overseas Markets

  In order to secure a foothold in overseas markets, TOT BIOPHARM announced on 11 January 2022 that it had entered into a cooperation agreement with Kexing Biopharm in respect of the commercial licensing of Pusintin® in overseas markets. Through this cooperation, TOT BIOPHARM will work with Kexing Biopharm to promote Pusintin® in markets in overseas countries. This is a critical move to facilitate Pusintin®'s penetration into the international market and also an important initiative to heed the call from the state by following the "One Belt One Road" strategy so as to provide cancer patients in emerging countries with high-quality and affordable drugs. We are looking forward to our new page in the international market that will be turned by Pusintin® in 2022.

Dr. Liu, Jun delivered a speech

- ### Joint Venture with China Resources Pharmaceutical and Commercial Group

  After consolidating its internal and external resources, TOT BIOPHARM established Yaozhan Pharmaceutical Jiangsu Co., Ltd. (曜展醫藥江蘇有限公司) in May 2021 as a subsidiary independently engaged in sales activities. The Group also established a joint venture, Huayao Pharmaceutical, with China Resources Pharmaceutical and Commercial Group in November 2021 to facilitate the transformation of its marketing strategies. The Group exclusively in-licensed Megaxia®, a megestrol acetate oral suspension, which is the first concentrated oral suspension formulation product approved for launch in mainland China to date and has been introduced to the market through Huayao Pharmaceutical's dedicated marketing platform. Given the extensive drug marketing and logistics channels of China Resources Pharmaceutical and Commercial Group and the Group's professional marketing team for anti-tumor drugs, the Group believes that there is enormous potential for further development in the market.

STRATEGIC DEVELOPMENT AND COMPETITIVE EDGES

- ### Competitive Edges in the Development of ADC Drugs

ADCs are becoming more prevalent in the oncology field. According to the market forecast from "Nature" research journals, global ADC sales will reach US$16.4 billion in 2026. There are currently 12 ADC products approved for launch around the world, with four approved for launch in China, most of which are imported. The ADC drug TAA013 independently developed by TOT BIOPHARM is one of the three oncology drugs for HER2+ breast cancer at the Phase III clinical stage, and is receiving great attention from the market.

TOT BIOPHARM boasts competitive edges in respect of the core conjugation process and the scale-up of technology, and has successfully developed several stable production processes for ADC drug substance and formulations to ensure the stability and high batch-to-batch consistency of products. The Group has a complete analytical technology platform for ADCs and independent analysis capabilities in respect of critical metric attributes of ADCs to ensure the successful development of ADC processes and the production of high-quality products.

Meanwhile, TOT BIOPHARM has established an expert team for the R&D of ADC conjugation process technologies and an analysis team for complex ADC molecular structures. Boasting extensive practical experience and successful exemplary cases, and with the commencement of a series of ADC CDMO/CMO cooperation projects, TOT BIOPHARM has earned recognition and acknowledgement from other industry players. The Group has accumulated comprehensive experience spanning R&D, process development, clinical trials, registration and filing for approval as well as commercial production.

- ### Development and Competitive Edges of CDMO/CMO Business

The CDMO/CMO market in China is booming and demand is continually increasing. According to data from Frost & Sullivan, the revenue of the CDMO/CMO market in China will record an average compound annual growth rate of 30.0% for the period between 2021 and 2025, and the total revenue of the CDMO/CMO market in China is expected to increase to RMB123.5 billion by 2025, of which the average compound annual growth rate of CDMO/CMO services for biological drugs for the period between 2021 and 2025 will be 36.7%. TOT BIOPHARM endeavors to accelerate the development of its partners' new drugs with its comprehensive industry platform and mass production capacity.

– *Provision of "One Stop, One Base" CDMO/CMO Services*

TOT BIOPHARM capitalized on market opportunities by fully leveraging the Company's open technology platforms and commercial production capabilities, thereby speeding up the development of CDMO/CMO business under the "one stop, one base" model. Its base at the Suzhou headquarters is capable of completing all production stages, ranging from R&D to the production of end products, under one roof, which greatly mitigates the risks and difficulties in terms of management, transportation and technology otherwise brought about by the segmented subcontracting of suppliers. Consequently, TOT BIOPHARM is able to provide clients with "one stop" CDMO/CMO solutions spanning R&D, process development, clinical trials, registration and filing for approval as well as commercial production, thereby satisfying the diversified demand for products such as chemical drugs, mAb drugs and ADC drugs.

– *Establishment of Professional Management System and Team for CDMO/CMO Business*

In addition to the R&D of new drugs, CDMO/CMO business has gradually become another important area for TOT BIOPHARM's development. In 2021, the Group commenced independent project management and performance management with the establishment of an independent CDMO/CMO management system and the implementation of stringent standards and requirements for business ethics management, for the sake of ensuring the safety, compliance and orderly execution of each project. The key to laying a solid foundation for these initiatives was effective internal and external coordination and communication. Owing to the good collaboration of the CDMO/CMO business team, TOT BIOPHARM established a timely and effective communication mechanism with its clients, thus earning the confidence and praise of partners within the industry.

– *Quality Management System with International Standards*

A sound quality management system is surely a guard rail for the development of CDMO/CMO business. TOT BIOPHARM is an innovative drug R&D company equipped with a high-standard quality management system satisfying the requirements of GMP-compliant commercial production. Accordingly, this system has become a leading resource of the CDMO/CMO business and complies with the standards stipulated in the GMP quality assurance regulations of China, the United States and the European Union, and with a traceable track record of proven experience and successful projects. In 2021, the Group continued to optimize and upgrade the quality management system and established an essential quality management system covering stages from R&D to commercialization in accordance with the requirements set out in the regulations and guidelines of the NMPA, the FDA and the European Medicines Agency (EMA). Given the Company's sound and fully regulated quality management system, the Group fully capitalized on digital management tools to realize electronic and systematic management and to upgrade its quality management capability, thereby ensuring that its product quality is in line with international standards.

– *Performance Highlights of CDMO/CMO Business in ADC Field*

Unlike the vast majority of CDMO/CMO companies in China which launched their businesses with small molecular drugs, TOT BIOPHARM is an innovative oncology drug R&D company targeting CDMO/CMO business in the ADC field with more promising market prospects and stronger competitive edges. Consequently, TOT BIOPHARM achieved a new breakthrough in terms of operating results, and has received great acclaim from its clients.

ADC production facility equipment

- **CDMO/CMO Business Strategic Cooperation**
  - *Strategic CDMO Cooperation with BrightGene Bio-Medical*

    On 19 July 2021, TOT BIOPHARM entered into a strategic cooperation with BrightGene Bio-Medical Technology Co., Ltd. (博瑞生物醫藥（蘇州）股份有限公司) (688166.SH) to strengthen the "one stop" service platform for ADC drug CDMO business, thus facilitating the R&D and commercialization of innovative drugs. The agreement enabled the Group to collaborate with other renowned industry players through the mutual sharing of each other's technologies and resources, and to further upgrade and expand its service platform for ADC drug CDMO, thus providing companies engaged in the production of innovative drugs with "one stop" solutions by mitigating risks associated with R&D and improving the efficiency for commercialization.

  - *CDMO Strategic Cooperation with Jimin Kexin Pharmaceutical*

    Given the sound cooperation between the Group and a wholly-owned subsidiary of Jimin Kexin Pharmaceutical, both parties entered into a CDMO strategic cooperation agreement in January 2022, under which TOT BIOPHARM will provide production services for drugs for use in clinical trials and CDMO services for the production of newly launched drugs.

- **Commencement of Construction of Global R&D Center**

  In order to strengthen its technological advantages in the R&D of innovative drugs, TOT BIOPHARM commenced the construction of a global R&D center in Suzhou on 9 November 2021, which will accelerate the R&D process of anti-tumor drugs through its first-class talents, technologies, ideas and management. With a gross floor area of 25,000 m^2, the main building is expected to be completed in 2023 and will house functions such as early R&D, process development, quality research and head office. The core R&D experimental zone will be able to hold 280 to 300 R&D technicians and simultaneously handle a number of experiments for the research and process development of mAb drugs, ADC drugs, oncolytic virus drugs and special small molecular oncology drugs, making it possible to realize a seamless connection with the production zone. In addition, placing R&D and production under one roof will facilitate the synergic efficiency for the whole drug development process, thereby enhancing the R&D efficiency and cost advantages.

CDMO strategic cooperation with
Jimin Kexin Pharmaceutical

Groundbreaking ceremony
for the construction of Global R&D Center

COMMERCIAL PRODUCTION CAPACITY AND MARKET COOPERATION

- ### Commercial Production Base

TOT BIOPHARM has built an internationally-competitive, GMP-compliant, large-scale biological drug commercial production base in Suzhou Industrial Park. With an increasing number of innovative drugs having gradually entered the late clinical stage and being commercialized in China, small-to-medium sized innovative drug companies with a focus on early-stage drug R&D urgently need to address issues such as compliance and stable volume-based productivity. TOT BIOPHARM has planned for long-term development by building new plants. A commercial production base for mAb drugs with a capacity of 16,000 liters was built and put into operation in 2018, which is one of the most sizable industrialized bases of biological drugs in China. To date, the construction of commercial production facilities comprising workshops for mAb drug substance and formulations as well as ADC drug substance and ADC freeze-dried formulations has been completed, contributing to the commercial production of self-developed drugs and the commercialization of innovative drug companies in China.

Meanwhile, the Group has established a high-quality, electronic and traceable quality management system for drug registration management in compliance with international standards as well as an internationalized registration team, which have become a guard rail for TOT BIOPHARM's product quality. In January 2021, the on-site inspection for the registration of the biological product mAb injections and the GMP compliance inspection were completed and passed. The Group received the production approval for chemical drug capsules and biological antibody drugs in May 2021 and December 2021 respectively, and its quality assurance system was highly acclaimed by the NMPA. At the same time, the Group has also started the construction of the second commercial production line for ADC formulations in a bid to substantially expand the production scale of ADC drugs to further strengthen the ADC commercialization platform. The production capacity of biological drug commercial production bases is expected to reach 20,000 liters in the first half of 2022, thereby realizing the high-quality commercial production of innovative drugs.

- ### Planning for Commercial Production of ADC Drugs

In order to pursue a differentiated path for development, TOT BIOPHARM has upgraded its R&D and innovation capabilities and is determined to target the ADC field which has a higher threshold for technologies and a higher barrier to commercial production. Given its years of research in technologies and processes and the planning for the TAA013 commercial production lines, TOT BIOPHARM has provided differentiated and "one stop" industrial services and technological support to an increasing number of domestic pharmaceutical companies entering the ADC field.

In September 2020, building upon the completion of drug substance production workshops for the commercial production of ADCs, TOT BIOPHARM began planning for workshops for the volume-based commercial production of ADC freeze-dried liquid injections. In May 2021, TOT BIOPHARM exerted great effort to implement its plan for ADC pilot and commercial production facilities and established the second ADC commercial production line for freeze-dried liquid injection formulations.

The commercial production of ADCs

Naked antibody production → ADC stock solution production → Preparation production →

COMMUNICATION WITH SOCIETY

TOT BIOPHARM continued to enhance its brand awareness and corporate image by maintaining good communication with all sectors of society, the industry, the media and the investing public. It also delivered its messages on its corporate strategies, latest business development and corporate culture to society via diversified channels.

As a leader in the ADC field, TOT BIOPHARM has established long-term and trusted relationships with a number of partners within the ADC field. In 2021, it proactively organized and participated in seminars on biological drugs and ADCs, strengthened and expanded its impact in the capital markets through investor open days, online roadshows for investors, corporate surveys and other activities, and publicized the latest information on the Company's business development through timely and transparent disclosures. All these initiatives had the aim of enabling investors to gain a better understanding of the potential value for investment and strategic planning of TOT BIOPHARM.

In respect of its communication within the industry, TOT BIOPHARM took the lead in attending industry forums. In the ADC session of the 6th Enmore Bio Conference held in Suzhou in March 2021, TOT BIOPHARM invited several ADC experts to share their views on the topic "Antibody Drugs – The Whole Process of the Development of ADCs". On 1 April 2021, Tongxieyi held the "2021 Summit for Advanced Process and Industrialized Development of Antibody Drug" in Suzhou, in which Dr. Liu, Jun, the Chief Executive Officer of TOT BIOPHARM, attended the "Early Process Development of Antibody Drugs" roundtable forum as a guest to discuss strategies for CMC process development and clinical studies for ADC drugs.

In respect of the ADC field, TOT BIOPHARM, as a committed supporting unit, attended the "3rd World Conference on Forefront Technology of Biomedicines" held in the Convention and Exhibition Center of Suzhou Industrial Park from 10 to 12 July 2021, and participated in the "Key Issues on Commercial Production of Antibody Drugs" roundtable forum and the "One Stop Platform for the Integration of ADC Drugs and CMC" project roadshow, for the purpose of promoting the Company's CDMO/CMO business and enhancing the Company's brand image. From 12 to 13 November 2021, TOT BIOPHARM took part in the "First Young BiG Youth Forum 2021" and co-organized the "From ADC to XDC – Innovative Conjugate Drugs" special forum, in which the Company shared its views on the R&D and production of the ADC field with other top industry players and discussed the development patterns and trends of innovative antibody drug conjugates.

APPLICATION OF FUNDS AND FINANCING

As at 31 December 2021, the Group had carried out its operations in adherence to the Company's new strategic plan after adjustment and 2021 business targets in line with the demand of its CDMO/CMO business with the aims of consolidating its resources to expand the commercial production capabilities of biological drugs (especially the comprehensive capabilities in ADC field) and enhancing its CDMO business teams to develop a CDMO/CMO business operation with competitive edges. In order to support the R&D and sustainable development of the Company and to raise funds for the construction of the global R&D center, the Group has relied on its continuously improving revenue generation capability in conjunction with the adoption of flexible financing measures.

In 2022, the Group will continue the commercial cooperation and licensing of TAA013 in domestic and international markets and mobilize sufficient resources in the capital markets through various funding channels to add new momentum to the development of its CDMO/CMO business. Furthermore, the Group will continue to adjust the financial structure of the Company to implement its strategic goals.

RESPONSE TO COVID-19 AND ENHANCEMENT OF ESG MANAGEMENT

With COVID-19 becoming a part of everyday life, the Company implemented its anti-pandemic control measures with reference to changes in local pandemic policies in 2021. It strictly controlled the movement of personnel, regularly distributed masks and protective items to all personnel and devised procurement plans in advance to ensure a sufficient supply of operating equipment as well as materials such as ingredients and excipients. The Company also responded to the volatile pandemic situation by adjusting its preventive measures and enabling timely internal coordination to guarantee the normal operation of all of the Company's businesses.

In order to further enhance the corporate governance of the Company, the Board established the Strategy and ESG Committee, which will closely align ESG issues with the Company's strategies. Following continuous evaluation of the external environment and taking into account the development of the Company, the Strategy and ESG Committee will determine reasonable work mechanisms and targets so as to realize the Company's goal of sustainable development.

PROSPECTS

Looking ahead to 2022, the Group will accelerate the marketing and sales activities of its launched products, which are expected to give rise to a substantial increase in revenue from product sales. We believe that innovation is the key to the Company's development and will therefore continue to step up and upgrade the technological research of innovative ADC drugs and take an active role in the development and strategic cooperation of ADC projects. In addition, we will accelerate the Phase III clinical trial of our ADC core product TAA013 and its commercialization licensing, continue to strengthen the position of our ADCs in the CDMO market and proactively identify domestic and international strategic partners, thereby providing our clients with long-term value. Through diversified funding channels and optimized cash flows, the Company expects to enjoy new growth in its operating results and see new breakthroughs in 2022.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors	Dr. Liu, Jun *(Chief Executive Officer)* Ms. Yeh-Huang, Chun-Ying *(Vice Chairman)*
Non-executive Directors	Mr. Fu, Shan *(Chairman)* Dr. Kung, Frank Fang-Chien *(Resigned on 12 March 2022)* Mr. Kang, Pei *(Resigned on 12 March 2022)* Mr. Qiu, Yu Min
Independent Non-executive Directors	Ms. Hu, Lan Dr. Sun, Lijun Richard *(Resigned on 12 March 2022)* Mr. Chang, Hong-Jen Dr. Wang, De Qian *(Appointed on 12 March 2022)*
Senior Management	Ms. Feng, Shan Mr. Wu, Chih-Yuan Dr. Duan, Qing Mr. Chen, Yifan Ms. Xiao, Ben

EXECUTIVE DIRECTORS

Dr. Liu, Jun (劉軍博士), aged 54, joined the Group on 17 October 2016 and was appointed as an executive Director, chief scientific officer and chief executive officer on 26 October 2018, 12 March 2019 and 15 October 2020, respectively. He is also a member of the Strategy and ESG Committee. Dr. Liu, Jun served as vice general manager of the Company between 17 October 2016 and 15 October 2020, and as chief operating officer of the Company between 21 April 2020 and 15 October 2020. He is now responsible for the research and development, operations management and business development of the Group.

Prior to joining the Group, Dr. Liu, Jun was the executive director of biologics research and development department in Shanghai ChemPartner Co., Ltd. between July 2010 and October 2016. Prior to that, he was employed by Bayer US LLC between April 2005 and July 2010 working with Bayer Healthcare as a senior scientist in the United States.

Dr. Liu, Jun obtained a Ph.D. in bioanalytical chemistry from the University of California, Davis in the United States in December 2002 and a bachelor's degree in chemistry from the University of Science & Technology of China in Hefei, Anhui Province, the PRC in July 1991.

Ms. Yeh-Huang, Chun-Ying (黃純瑩女士), aged 63, joined the Group on 5 July 2010 and was appointed as an executive Director and the vice chairman of the Board on 19 January 2016 and 15 October 2020, respectively. She is also a member of the Strategy and ESG Committee. Ms. Yeh-Huang served as the general manager of the Group between 5 July 2010 and 15 October 2020. She is now responsible for the oversight and promotion of strategy formulation, development, branding and public relations of the Group.

From April 1986 to December 2015, Ms. Yeh-Huang worked at TTY Biopharm Company Limited, during which she became an executive vice president of the oncology science business development unit in April 2011. As the head of TTY Biopharm Company Limited's oncology science business development unit, she was responsible for product development, clinical research, marketing and sales. She also managed cancer translation centers and medical academies and was responsible for the expansion of oncology science business market construction and team management in China and Vietnam. She was a pharmacist of Taipei Veterans General Hospital from July 1983 to August 1985.

Ms. Yeh-Huang obtained a bachelor's degree in pharmacy from Taipei Medical College (now known as Taipei Medical University) in Taiwan in June 1982 and obtained her Taiwan license of pharmacist in June 1983.

NON-EXECUTIVE DIRECTORS

Mr. Fu, Shan (付山先生), aged 54, joined the Group on 19 January 2016 as a non-executive Director and was appointed the chairman of the Board on 28 September 2018. He is also the chairman of the Nomination Committee and the Strategy and ESG Committee. He has previously used the Chinese name "Fu Shan (傅山)".

Mr. Fu has since October 2013 been a managing partner, a co-CEO and the Greater China CEO of Vivo Capital LLC, which is an investment management firm that primarily invests in the field of biotechnology and healthcare. Between June 2008 and October 2013, Mr. Fu worked as a senior managing director in the Beijing branch of Blackstone (Shanghai) Equity Investment Management Company Limited. He has been a non-executive director of InnoCare Pharma Limited (Hong Kong Stock Exchange: 9969) since February 2018, a director of Sinovac Biotech Ltd. (NASDAQ: SVA) since July 2018, and a director of Genetron Holdings Limited (NASDAQ: GTH) since June 2021.

Mr. Fu obtained a master's degree in history and a bachelor's degree in history, both from Peking University in Beijing, the PRC, in July 1991 and July 1988, respectively.

Mr. Qiu, Yu Min (裘育敏先生), aged 49, joined the Group on 26 September 2018 as a non-executive Director. He is also the chairman of the Remuneration Committee, and a member of the Audit and Connected Transactions Review Committee and the Strategy and ESG Committee. He has been a partner of private equity fund Advantech Capital since October 2017. From January 2016 to September 2017, he was an executive director at Advantech Capital. He served at private equity fund New Horizon Capital as an executive director from January 2015 to December 2015 and as a director from May 2013 to December 2014. From May 2010 to April 2013, he was a vice president of investment management firm GL Capital. From April 2007 to May 2010, he worked at the advisory department in PricewaterhouseCoopers Consultants (Shenzhen) Ltd. (Beijing branch) and his last position held was a manager. He worked at Vancouver Coastal Health Authority until 2007. From September 1994 to July 2002, Mr. Qiu worked with the Administrative Bureau of the Great Hall of the People in the PRC. He has been a non-executive director of Alphamab Oncology (Hong Kong Stock Exchange: 9966) since 3 July 2019, and a non-executive director of HBM Holdings Limited (Hong Kong Stock Exchange: 2142) since 7 December 2016.

Mr. Qiu obtained an MBA degree from the University of British Columbia in Vancouver, Canada in May 2004 and a bachelor's degree in engineering from East China University of Technology in Shanghai, the PRC in July 1994. He was certified as a Chartered Financial Analyst (CFA) in 2007 by the CFA Institute and a Certified Management Accountant (CMA) in 2006 by the Institute of Management Accountants.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Hu, Lan (胡蘭女士), aged 50, joined the Group on 12 March 2019 as an independent non-executive Director. She is also the chairlady of the Audit and Connected Transactions Review Committee, and a member of the Nomination Committee.

Ms. Hu has more than 20 years of experience working at international accounting firms, through which she has gained accounting and financial management expertise. Ms. Hu was a partner of the consulting services department of PricewaterhouseCoopers between July 2008 and June 2018. During this period, she led financial due diligence projects for corporate and financial buyers, with a focus on analyzing the financial statements, reviewing the profit forecasts and reviewing the internal control reports of target companies. Prior to that, she worked at PricewaterhouseCoopers from July 2002, and previously at Arthur Andersen from July 1994. During these periods, she served as a public accountant and was responsible for auditing and reviewing the financial statements of listing applicants and listed companies. She has been an independent non-executive director of InnoCare Pharma Limited (Hong Kong Stock Exchange: 9969) since March 2020.

Ms. Hu obtained an MBA degree from University at Buffalo, the State University of New York in the United States in February 2005 and a bachelor's degree in accounting from Beijing Machinery and Industrial Institute in Beijing, the PRC in July 1994. She gained her Chinese Institute of Certified Public Accountants qualification in March 1997.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(cont'd)*

Mr. Chang, Hong-Jen (張鴻仁先生), aged 65, joined the Group on 12 March 2019 as an independent non-executive Director. He is also a member of the Audit and Connected Transactions Review Committee and the Remuneration Committee. He has over 15 years of experience in biotech investment.

Mr. Chang has served as an adjunct professor of Institute of Public Health, National Yang-Ming University from August 2005, the Chairman of YFY Biotech Management Co., Ltd. from July 2005, the Chairman of MiCareo Taiwan Co., Ltd. from July 2011, and the Chairman of EUSOL Biotech Co., Ltd. (Taipei Exchange: 6652) from October 2009. He has been a director of Excelsior Biopharma Inc. (Taipei Exchange: 6496) from June 2015, a director of TaiGen Biopharmaceuticals Holdings Limited (Taipei Exchange: 4157) from April 2013, a director of Medeon Biodesign, Inc. (Taipei Exchange: 6499) from July 2018, and a director of Formosa Pharmaceuticals Inc. (Taipei Exchange: 6838) from June 2020. He was also a director of Taiwan Liposome Company Ltd. (formerly Taipei Exchange: 4152) from June 2007 to June 2019.

Mr. Chang worked in the Department of Health of Taiwan's Executive Yuan from February 2001 to November 2004, where his last position held was as the Deputy Minister.

Mr. Chang obtained his bachelor of medicine degree from National Yang-Ming Medical College in Taiwan in June 1982, master of public health degree from National Taiwan University in Taiwan in June 1984, and master of science in health services administration degree from Harvard University in the United States in June 1987.

Dr. Wang, De Qian (汪德潛博士), aged 71, joined the Group on 12 March 2022 as an independent non-executive Director. He is also a member of the Remuneration Committee, the Nomination Committee and the Strategy and ESG Committee.

Dr. Wang possesses extensive experience in the area of biopharmacy. He obtained a bachelor's degree in agricultural machinery from Liaoning Agricultural College (now known as Shenyang Agricultural University) in China in 1977, and obtained a master of science degree in bioresource engineering and a Ph.D. in mechanical engineering (bioengineering) from Oregon State University in the United States in 1987 and 1991, respectively. He served multiple positions under the Bayer AG (Frankfurt Stock Exchange: BAYN) group between 1994 and 2016, and served as vice president of a subsidiary of WuXi Biologics (Cayman) Inc. (Hong Kong Stock Exchange: 2269) between 2016 and 2021.

SENIOR MANAGEMENT

Ms. Feng, Shan (馮珊女士), aged 43, joined the Group in December 2014, and was appointed as senior director of the regulatory affairs department in April 2019. Prior to joining the Group, Ms. Feng was a manager of regulatory affairs department of EPS International (China) Co., Ltd., Beijing branch under EPS Group from April 2007 to October 2014. Between July 2002 and April 2007, she successively worked at Chugai Pharmaceutical Co., Ltd., Beijing office and Chugai Pharma (Shanghai) Consulting Co., Ltd., Beijing branch, in charge of drug registration and academic affairs.

Ms. Feng received a bachelor's degree in pharmacy (Japanese) from Shenyang Pharmaceutical University in the PRC in July 2002.

Mr. Wu, Chih-Yuan (吳志遠先生), aged 49, joined the Group in January 2016, and was appointed as a senior director of the strategy and business development in April 2019. Prior to joining the Group, Mr. Wu was a director of TTY Biopharm Company Limited's oncology science business development unit from February 2014 to December 2015. He was a director of market advisory department in Taiho Pharmaceutical of Beijing Co., Ltd. from January 2009 to September 2011. Mr. Wu worked at TTY Biopharm Company Limited's marketing department between August 2002 and November 2008, assuming positions such as group product manager.

Mr. Wu obtained a bachelor's degree in pharmacy from National Taiwan University in Taiwan in June 1995.

SENIOR MANAGEMENT *(cont'd)*

Dr. Duan, Qing (段清博士), aged 39, joined the Group in April 2019 as senior director of the new drug development division. Prior to joining the Group, Dr. Duan worked at Shanghai Kaituozhe Medicine Development Co., Ltd. from April 2017 to March 2019. Between September 2011 and March 2017, she worked at Shanghai ChemPartner Co., Ltd..

Dr. Duan received a bachelor's degree in biotechnology from Shanghai Jiao Tong University in the PRC in July 2003 and a Ph.D. in cell biology from Shanghai Institutes for Biological Sciences, Chinese Academy of Sciences in the PRC in January 2009.

Mr. Chen, Yifan (陳一帆先生), aged 42, joined the Group in May 2020 as senior director of the legal division, in charge of the overall legal and intellectual property affairs of the Group. He was appointed as a joint company secretary of the Company on 1 February 2022.

Prior to joining the Group, Mr. Chen served as corporate counsel of Flextronics Electronics Technology (Suzhou) Co., Ltd., a subsidiary of Flex Ltd. (NASDAQ: FLEX), between January 2017 and May 2020, during which he was responsible for legal affairs in North Asia. Between July 2012 and December 2016, he served as senior legal manager of MFLEX Suzhou Co., Ltd., a subsidiary of Multi-Fineline Electronix, Inc. (formerly NASDAQ: MFLX), during which he was responsible for legal and compliance affairs in Greater China. Between March 2008 and May 2012, he served as legal manager of CSI Solar Power (China) Inc., a subsidiary of Canadian Solar Inc. (NASDAQ: CSIQ), during which he was responsible for legal affairs in the PRC. Mr. Chen was an attorney-at-law in the Nanjing office and Shanghai office of Tianzhiquan Law Firm in 2002 and 2003, respectively.

Mr. Chen received a bachelor's degree in law from Nanjing University in the PRC in 2002 and a master's degree in professional accounting from the University of Canberra in Australia in 2005. Mr. Chen was admitted as a PRC lawyer.

Ms. Xiao, Ben (肖賁女士), aged 41, joined the Group in January 2022, and was appointed as senior finance director of the Group in February 2022, in charge of the financial management, investment and financing matters of the Group.

Prior to joining the Group, Ms. Xiao served as group chief financial officer of a multinational corporation specializing in the research and development and production of renewable energy solutions between June 2021 and October 2021. Between November 2016 and May 2021, she served as chief financial officer of Fuba Automotive Electronics GmbH in Germany, and also assumed the position of managing director of its production base in Suzhou, the PRC since August 2019. Between October 2004 and September 2016, she successively served as student intern, accounting and finance consultant and accounting and finance specialist of Wincor Nixdorf International GmbH in Germany, an information technology solutions provider under Wincor Nixdorf AG (formerly Frankfurt Stock Exchange: WIN) which was merged into Diebold Nixdorf, Inc. (New York Stock Exchange: DBD) in 2016.

From 1998 to 2005, Ms. Xiao successively attended Beijing Foreign Studies University in the PRC with a focus on German, and Paderborn University (Universität Paderborn) in Germany with a focus on business, economics, accounting and taxation, and received a degree equivalent to a master's degree in business administration (Diplom-Kauffrau) from Paderborn University in 2005. Ms. Xiao is a Fellow of The Chartered Institute of Management Accountants of the United Kingdom (FCMA), and is also recognized as a Chartered Global Management Accountant (CGMA).

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report for the year ended 31 December 2021.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving and establishing high standards of corporate governance.

The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions of the CG Code contained in Appendix 14 of the Listing Rules as the basis of the Company's corporate governance practices.

The Company has devised its own Corporate Governance Policy which incorporates the principles and practices as set out in the CG Code.

The Board is of the view that throughout the year ended 31 December 2021, the Company has complied with all the applicable code provisions as set out in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code for the year ended 31 December 2021.

The Company has also established written guidelines including the Code of Conduct and Ethics and the Insider Dealing Policy (collectively, the "Employees Written Guidelines") no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. For the purpose of effective execution of the Employees Written Guidelines, the Company also provided internal and external training sessions to senior managers and other employees. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

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

Board Composition

As of 31 December 2021, the Board comprised nine Directors, consisting of two executive Directors, four non-executive Directors and three independent non-executive Directors as follows:

Executive Directors

Dr. Liu, Jun *(Chief Executive Officer)*
Ms. Yeh-Huang, Chun-Ying *(Vice Chairman)*

Non-executive Directors

Mr. Fu, Shan *(Chairman)*
Dr. Kung, Frank Fang-Chien
Mr. Kang, Pei
Mr. Qiu, Yu Min

Independent Non-executive Directors

Ms. Hu, Lan
Dr. Sun, Lijun Richard
Mr. Chang, Hong-Jen

The biographical information of the above Directors is set out in the section headed "Biographies of directors and senior management" on pages 24 to 27 of the Company's 2020 annual report and pages 25 to 27 of this annual report.

Save and except that both Mr. Fu, Shan and Dr. Kung, Frank Fang-Chien represented Vivo Capital on the Board, none of the above members of the Board was related to one another.

BOARD OF DIRECTORS *(cont'd)*

Board Meetings and Directors' Attendance Records

Code provision C.5.1 (previously A.1.1) of the CG Code stipulates that regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

Code provision C.2.7 (previously A.2.7) of the CG Code stipulates that the chairman of the Board should at least annually hold meetings with independent non-executive Directors without the presence of other directors. Apart from regular Board meetings, the Chairman also held one meeting with the independent non-executive Directors without the presence of other Directors during the year.

A summary of the attendance records of the Directors at the Board meetings held during the year ended 31 December 2021 is set out below:

Name of Directors	Attendance
Dr. Liu, Jun *(Chief Executive Officer)*	5/5
Ms. Yeh-Huang, Chun-Ying *(Vice Chairman)*	5/5
Mr. Fu, Shan *(Chairman)*	5/5
Dr. Kung, Frank Fang-Chien	5/5
Mr. Kang, Pei	5/5
Mr. Qiu, Yu Min	5/5
Ms. Hu, Lan	5/5
Dr. Sun, Lijun Richard	4/5[(Note)]
Mr. Chang, Hong-Jen	5/5

Note: The board meeting of the Company held on 19 November 2021 was attended by Mr. Sun's alternate. For the purpose of Mr. Sun's attendance record, his alternate's board meeting attendance did not count as Mr. Sun being present for that board meeting.

Chairman and Chief Executive Officer

The positions of Chairman and Chief Executive Officer are held by Mr. Fu, Shan and Dr. Liu, Jun respectively. The roles of the Chairman and Chief Executive Officer are separate and exercised by different individuals. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and daily management and operations generally.

BOARD OF DIRECTORS *(cont'd)*

Independent Non-executive Directors

During the year ended 31 December 2021, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom (namely, Ms. Hu, Lan) 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/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive directors are independent.

Appointment and Re-election of Directors

Code provision B.2.2 (previously A.4.2) of the CG Code stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The non-executive Directors including independent non-executive Directors of the Company are appointed for a specific term of three years, subject to renewal after the expiry of the then current term.

Under the Amended and Restated 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 greater than one-third shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The Amended and Restated Articles of Association also provides that all Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment. The retiring Directors shall be eligible for re-election.

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

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 Directors shall disclose to the Company details of other offices held by them (if any).

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

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

BOARD OF DIRECTORS *(cont'd)*

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company. Also, all Directors have received formal and comprehensive training on Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. 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 industry seminars and relevant training courses at the Company's expenses.

During the year ended 31 December 2021, the Company continued to provide latest information and learning materials to all Directors and organized training sessions conducted by qualified professionals for all Directors, and the Directors complied with the code provision C.1.4 (previously A.6.5) of the CG Code. The professional training sessions and learning materials covered a wide range of relevant topics including directors' duties and responsibilities, corporate governance and regulatory updates. In addition, relevant reading materials including compliance manual, legal and regulatory updates and the latest industry and capital market information were provided to the Directors for their reference and studying.

The training records of the Directors for the year ended 31 December 2021 are summarized as follows:

Name of Directors	Type of Training [Note]
Executive Directors	
Dr. Liu, Jun *(Chief Executive Officer)*	A, B
Ms. Yeh-Huang, Chun-Ying *(Vice Chairman)*	A, B
Non-executive Directors	
Mr. Fu, Shan *(Chairman)*	A, B
Dr. Kung, Frank Fang-Chien	A, B
Mr. Kang, Pei	A, B
Mr. Qiu, Yu Min	A, B
Independent Non-executive Directors	
Ms. Hu, Lan	A, B
Dr. Sun, Lijun Richard	A, B
Mr. Chang, Hong-Jen	A, B

Note:

Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops.

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications (such as the Stock Exchange's letters to authorized representatives of listed issuers).

BOARD COMMITTEES

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

The list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2 of this annual report.

Audit and Connected Transactions Review Committee

During the year ended 31 December 2021, the Audit and Connected Transactions Review Committee consisted of three members, namely Ms. Hu, Lan (independent non-executive Director), Mr. Qiu, Yu Min (non-executive Director) and Mr. Chang, Hong-Jen (independent non-executive Director), majority of whom are independent non-executive Directors. Ms. Hu, Lan is the chairlady of the Audit and Connected Transactions Review Committee and she holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The terms of reference of the Audit and Connected Transactions Review Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Audit and Connected Transactions Review Committee include:

- making recommendations to the Board on the appointment, reappointment and removal of external auditors, approving the remuneration and terms of engagement of external auditors, and dealing with any issues in relation to resignation or dismissal of external auditors;
- reviewing and monitoring external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, discussing with auditors on the nature and scope of the audit work and reporting obligations before the audit commences;
- developing and implementing policies with respect to the non-audit work provided by external auditors;
- examining the completeness of the Group's financial statements and the Group's quarterly, interim and annual reports, and reviewing critical financial reporting judgments contained therein;
- overseeing the Group's financial reporting, risk management and internal control systems;
- managing matters related to connected transactions;
- reviewing and approving the Group's connected transactions and other related matters to the extent authorized by the Board; and
- providing information for the independent non-executive Directors and auditors to perform their annual review of the connected transactions.

During the year ended 31 December 2021, the Audit and Connected Transactions Review Committee held four meetings to, among other things, review, consider and approve the interim and annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and engagement of non-audit services and relevant scope of works, connected transactions, and arrangements for employees to raise concerns about possible improprieties.

During the year ended 31 December 2021, the Audit and Connected Transactions Review Committee also had meetings with the external auditors no less than twice without the presence of the Executive Directors.

BOARD COMMITTEES *(cont'd)*

Audit and Connected Transactions Review Committee *(cont'd)*

The attendance records of the members of the Audit and Connected Transactions Review Committee are as follows:

Name of Members of the Audit and Connected Transactions Review Committee	Attendance
Ms. Hu, Lan	4/4
Mr. Qiu, Yu Min	4/4
Mr. Chang, Hong-Jen	4/4

Remuneration Committee

During the year ended 31 December 2021, the Remuneration Committee consisted of three members, namely Mr. Chang, Hong-Jen (independent non-executive Director), Mr. Kang, Pei (non-executive Director) and Dr. Sun, Lijun Richard (independent non-executive Director). Mr. Chang, Hong-Jen is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code.

The primary functions of the Remuneration Committee include:

- making recommendations to the Board on the compensation remuneration packages of individual executive Directors and senior management and on the compensation of non-executive Director;
- making recommendations to the Board on the management's remuneration proposals;
- ensuring that no Director or any of his/her associates is involved in deciding his/her own remuneration;
- developing policies and structure for remuneration of all Directors, senior management and employees including salaries, incentive schemes and other share option schemes, and making recommendations to the Board; and
- making recommendations to the Board on disclosure with respect to Directors' remuneration included in the annual report.

During the year ended 31 December 2021, the Remuneration Committee held one meeting to, among other things, review the performance and compensation remuneration packages of individual executive Directors, make recommendations to the Board on the compensation remuneration packages of individual executive Directors and senior management and on the compensation of non-executive Directors, make recommendations to the Board on the management's remuneration proposals, make recommendations to the Board on the adoption of amendments to Restricted Share Award Scheme, and make recommendations to the Board on disclosure with respect to Directors' remuneration included in the annual report.

Details of the remuneration of the senior management by band are set out in the section headed "Management discussion and analysis – Financial Summary – Employees and Remuneration" on page 13 of this annual report.

BOARD COMMITTEES *(cont'd)*

Remuneration Committee *(cont'd)*

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

Name of Members of the Remuneration Committee	Attendance
Mr. Chang, Hong-Jen	1/1
Mr. Kang, Pei	1/1
Dr. Sun, Lijun Richard	1/1

Nomination Committee

During the year ended 31 December 2021, the Nomination Committee consisted of three members, namely Mr. Fu, Shan (non-executive Director), Ms. Hu, Lan (independent non-executive Director) and Dr. Sun, Lijun Richard (independent non-executive Director). Mr. Fu, Shan is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code.

The primary functions of the Nomination Committee include:

- reviewing the structure, size and composition of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- identifying individuals suitably qualified to become Board members and making recommendations to the Board;
- assessing the independence of independent non-executive Directors; and
- making recommendations to the Board on the appointment and succession planning of Directors.

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. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the year ended 31 December 2021, the Nomination Committee held one meeting to, among other things, review the structure, size and composition of the Board and assess the independence of independent non-executive Directors.

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

Name of Members of the Nomination Committee	Attendance
Mr. Fu, Shan	1/1
Ms. Hu, Lan	1/1
Dr. Sun, Lijun Richard	1/1

BOARD COMMITTEES *(cont'd)*

Strategy and ESG Committee

In order to cater for the strategic development need of the Company and strengthen its environmental, social and governance ("ESG") work, so as to further improve the Company's corporate governance structure, determine the Company's development plan, improve the Company's scientific decision-making standard, continuously strengthen the Company's core competitiveness and ensure the Company's sustainable development, the Strategy Committee under the Board has been renamed as the Strategy and ESG Committee on 23 December 2021, with ESG management responsibilities added and the responsibilities of the original Strategy Committee remaining unchanged.

During the year ended 31 December 2021, the Strategy and ESG Committee consisted of five members, namely Mr. Fu, Shan (non-executive Director), Dr. Liu, Jun (executive Director), Ms. Yeh-Huang, Chun-Ying (executive Director), Mr. Chang, Hong-Jen (independent non-executive Director) and Dr. Sun, Lijun Richard (independent non-executive Director). Mr. Fu, Shan is the chairman of the Strategy and ESG Committee.

The primary functions of the Strategy and ESG Committee include:

- reviewing and making recommendations to the Board on the long-term strategic development plans of the Company;
- reviewing and making recommendations to the Board in relation to any significant capital operations (including but not limited to the alternation of the registered issued share capital; issuance of bonds or other securities; the merger, separation, dissolution or transformation of company structure of the Company or any of its wholly owned or holding subsidiaries; the Company's profit distribution plan and plans for loss recovery), asset management projects, the Company's annual financial budget plan, and final accounts;
- reviewing and making recommendations to the Board on any financing investment projects relating to issuance of securities by the Company or any of its wholly owned or holding subsidiaries;
- reviewing the Group's major investment and financing proposals in accordance with the Amended and Restated Articles of Association and overseas investment management measures, and making recommendations to the Board;
- making recommendations to the Board on any major matters that would affect the Company's development;
- implementing and supervising the above items, reviewing, evaluating and making recommendations on any major changes made to these items, for the Board's approval;
- developing the Company's ESG objectives, strategies and structure, reviewing the progress in achieving the Company's ESG objectives, and making recommendations to the Board on relevant ESG work in line with the Company's strategic development;
- reviewing ESG-related issues that have a significant impact on the Company's operations and/or the interests of other key stakeholders;
- considering the Company's assessment of its environmental and social impact, and reviewing international and China's ESG trends, in order to ensure the effective assessment of potential impact, opportunities and risks to the Company's business;
- monitoring the implementation of the Company's ESG policies and strengthening process control to ensure that the sustainability and effectiveness of the relevant actions in compliance with applicable laws and regulatory requirements;

BOARD COMMITTEES *(cont'd)*

Strategy and ESG Committee *(cont'd)*

- referring to key ESG reporting guidance for the relevant industry or sector, and to widely consider suggestions from stakeholders or to seek independent assurance verification by third parties in order to strengthen the scientific management of ESG and the credibility of ESG information disclosure;

- making timely, accurately and complete information disclosure under the requirements of the Listing Rules, the CG Code (set out in Appendix 14 to the Listing Rules) and the Environmental, Social and Governance Reporting Guide (set out in Appendix 27 to the Listing Rules); and

- other matters authorized by the Board.

During the year ended 31 December 2021, the Strategy and ESG Committee held one meeting.

The attendance records of the members of the Strategy and ESG Committee are as follows:

Name of Members of the Strategy and ESG Committee	Attendance
Mr. Fu, Shan	1/1
Dr. Liu, Jun	1/1
Ms. Yeh-Huang, Chun-Ying	1/1
Dr. Sun, Lijun Richard	1/1
Mr. Chang, Hong-Jen	1/1

Board Diversity Policy

The Company has adopted a Board Diversity Policy 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 as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and 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.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

At present, the Nomination Committee considered that the Board is sufficiently diverse and can provide professional advice to the Company to support its long-term development strategies.

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

BOARD COMMITTEES *(cont'd)*

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy which 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 Company and the continuity of the Board and appropriate leadership at Board level.

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

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Requirements of Independent Non-executive Directors on the Board and independence of the proposed Independent Non-executive Directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

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. During the year ended 31 December 2021, there was no change in the composition of the Board.

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

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision A.2.1 (previously D.3.1) of the CG Code.

During the year ended 31 December 2021 and up to the date of this report, the Board has reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Employees Written Guidelines, and the Company's compliance with the CG Code and disclosure in this report.

ATTENDANCE RECORDS OF DIRECTORS

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

	Attendance/Number of Meetings					
Name of Directors	**Board**	**Audit and Connected Transactions Review Committee**	**Remuneration Committee**	**Nomination Committee**	**Strategy and ESG Committee**	**Annual General Meeting**
Executive Directors						
Dr. Liu, Jun	5/5	–	–	–	1/1	1/1
Ms. Yeh-Huang, Chun-Ying	5/5	–	–	–	1/1	1/1
Non-executive Directors						
Mr. Fu, Shan	5/5	–	–	1/1	1/1	1/1
Dr. Kung, Frank Fang-Chien	5/5	–	–	–	–	0/1
Mr. Kang, Pei	5/5	–	1/1	–	–	0/1
Mr. Qiu, Yu Min	5/5	4/4	–	–	–	0/1
Independent Non-executive Directors						
Ms. Hu, Lan	5/5	4/4	–	1/1	–	1/1
Dr. Sun, Lijun Richard	4/5 (Note)	–	1/1	1/1	1/1	0/1
Mr. Chang, Hong-Jen	5/5	4/4	1/1	–	1/1	0/1

During the year ended 31 December 2021, at least one independent meeting was held between the chairman and the independent non-executive Directors without the presence of other Directors.

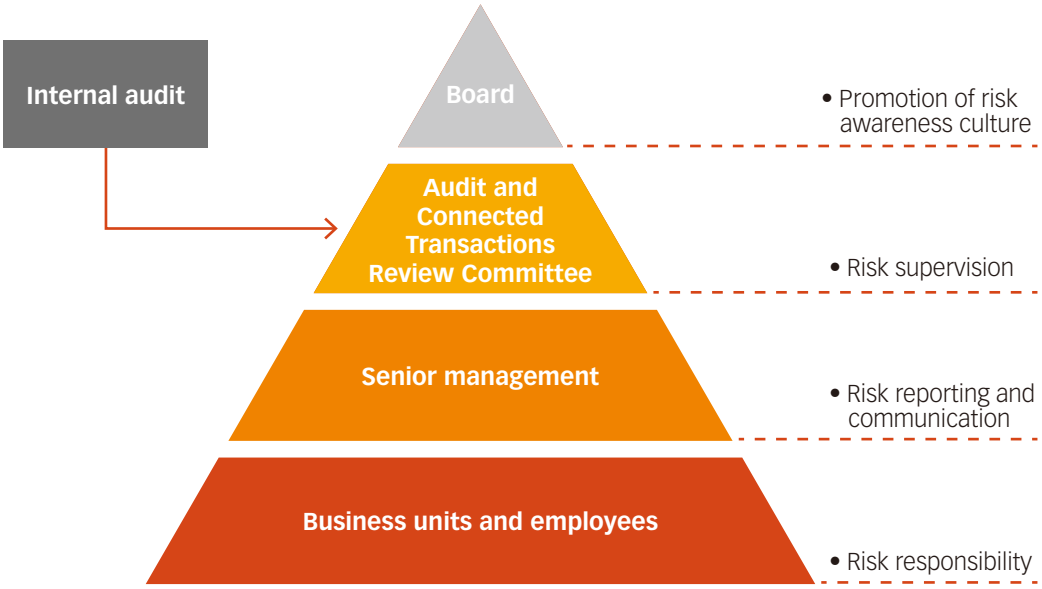
Note: The board meeting of the Company held on 19 November 2021 was attended by Dr. Sun's alternate. For the purpose of Dr. Sun's attendance record, his alternate's board meeting attendance did not count as Mr. Sun being present for that board meeting.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

The Company has established a risk governance structure to identify, evaluate, resolve, monitor and communicate key risks, such as strategic risk, financial risk, operational risk and compliance risk, so as to ensure the effectiveness of its internal risk control.

Based on such risk governance structure, the Company's risk management and internal control systems as well as the roles and responsibilities of various stakeholders are as follows:



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

The Audit and Connected Transactions Review Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has engaged external professional agency for providing the internal audit function and performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The Company has published internal management standard to comply the code of professional ethics and company regulations. The Company has established an internal audit function to examine key issues in relation to accounting practices and operations management and provided its findings and recommendations for improvement to the Audit and Connected Transactions Review Committee. In addition, the internal audit manager holds regular meetings with the management team of the Company to enhance the management and risk control in operation processes.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including project management, sales, intellectual property, production safety, financial reporting, authorization management, information security and information technology.

RISK MANAGEMENT AND INTERNAL CONTROLS *(cont'd)*

The Company conducted internal control assessment regularly with external consultants to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by relevant division/department.

The management, in coordination with division/department heads, assessed the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress, and reported to the Audit and Connected Transactions Review Committee and the Board on all findings and the effectiveness of the systems.

The management has confirmed to the Board and the Audit and Connected Transactions Review Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2021, and has conducted in-depth communication with the Board and the Audit and Connected Transactions Review Committee on the framework and priorities of the Company's corporate risk management and internal control for 2022.

The Board, as supported by the Audit and Connected Transactions Review Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2021, and considered that such systems are effective and adequate. The annual review also covered the financial reporting, internal audit function, as well as staff qualifications, experiences and relevant resources. As of the date of this report, there are no material internal control findings.

Whistleblowing procedures are in place to facilitate employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has developed its disclosure policies, signed confidentiality agreements with employees and established information disclosure approval procedures, which together provide a general guide and management principles to the Company's Directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the independent auditor's report on pages 63 to 67 of this annual report.

AUDITORS' REMUNERATION

An analysis of the remuneration paid/payable to PricewaterhouseCoopers, the external auditor of the Company, and other PricewaterhouseCoopers network firms, for the year ended 31 December 2021 is set out below:

Service Category	Fees Paid/Payable (RMB'000)
Audit services	2,825
Non-audit services (including tax and other advisory services)	250
	3,075

COMPANY SECRETARY

Mr. Chen, Yifan, senior director of the legal division of the Group, and Mr. Lui, Wing Yat Christopher, senior manager of Tricor Services Limited, an external service provider, have been appointed as the Company's joint company secretaries.

Mr. Chen, Yifan has been designated as the primary contact person at the Company which would work and communicate with Mr. Lui, Wing Yat Christopher on the Company's corporate governance and secretarial and administrative matters.

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

Mr. Yao, Jau-Chang has resigned as joint company secretary with effect from 1 February 2022. For the year ended 31 December 2021, Mr. Yao, Jau-Chang and Mr. Lui, Wing Yat Christopher have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

The Company engages with shareholders through various communication channels, such as general meetings, analyst presentations, disclosure pursuant to the Listing Rules, corporate website and social media platforms.

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

Convening an Extraordinary General Meeting

Extraordinary general meetings may be convened by the Board on requisition of shareholder(s) of the Company representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings or by such shareholder(s) who made the requisition (as the case may be) pursuant to sections 566 and 568 respectively of the Companies Ordinance and Article 62 of the Amended and Restated Articles of Association.

Shareholders should follow the requirements and procedures as set out in the Companies Ordinance and the Amended and Restated Articles of Association for convening a general meeting.

SHAREHOLDERS' RIGHTS *(cont'd)*

Putting Forward Proposals at General Meetings

Pursuant to section 615 of the Companies Ordinance, shareholders representing at least 2.5% of the total voting rights of all shareholders; or at least 50 shareholders who have a right to vote at the relevant annual general meeting, may request to circulate a resolution to be moved at an annual general meeting.

Shareholders should follow the requirements and procedures as set out in the Companies Ordinance for circulating a resolution for annual general meeting.

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.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

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

During the year ended 31 December 2021 and up to the date of this report, the Company has held an annual general meeting on 25 June 2021.

The forthcoming annual general meeting will be held in June 2022. The notice of annual general meeting will be sent to shareholders in accordance with the requirements set out in the Listing Rules and the Amended and Restated Articles of Association.

During the year under review, the Company has not made any changes to its Amended and Restated Articles of Association.

Contact Details

The Company maintains a website (www.totbiopharm.com.cn) where information of the Group's businesses and projects, key corporate governance policies and announcements, financial reports and other information are available for public access. Shareholders and investors may send their enquiries or requests as mentioned above to the following:

Address:	The Secretariat 120 Changyang Street Suzhou Industrial Park PRC
Email:	ir@totbiopharm.com
Telephone:	86-512-6296-5286 Ext.6727

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

Policies relating to Shareholders

The Company has in place a Shareholders' Communication Policy to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

With respect to dividend policy, the Group currently intends to retain all available funds and earnings, if any, to fund the development of its business and it does not anticipate paying any cash dividends in the foreseeable future. Any future determination to pay dividends will be made at the discretion of the Directors and may be based on a number of factors, including the Group's future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the Directors may deem relevant.

DIRECTORS' REPORT

The Directors are pleased to present this Directors' Report together with the audited consolidated financial statements of the Group for the year ended 31 December 2021.

Unless otherwise stated, all references below to other sections, reports or notes in this annual report form part of this report.

GENERAL INFORMATION

The Company was incorporated in Hong Kong on 4 December 2009 with limited liability. The Company's Shares were listed on the Main Board of the Stock Exchange on 8 November 2019.

PRINCIPAL ACTIVITIES

The Company is a clinical-stage biopharmaceutical company dedicated to developing and commercializing innovative oncology drugs and therapies. Its mission is to build a leading brand name of oncology treatments trusted by patients and their families as well as medical professionals.

The Group has a comprehensive portfolio of oncology drug candidates, which include monoclonal antibodies (mAbs), antibody drug conjugates (ADCs), oncolytic virus drugs and specialty oncology drugs such as liposome drugs, targeting various types of cancers. Since the Company's inception in 2009, it has built and established a fully integrated in-house platform of discovery, process development, quality management, pre-clinical and clinical development, as well as commercial-scale manufacturing facilities and proven sales and marketing capabilities, which provides flexibility and scalability for business of the Group to expand along the innovative drug industry value chain.

RESULTS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of comprehensive loss on page 68 of this annual report.

BUSINESS REVIEW

A fair review of the business of the Group as required by section 388(2) of and Schedule 5 to the Companies Ordinance, including an indication of likely future developments of the Group's business and an analysis of the Group's performance using financial key performance indicators during the year ended 31 December 2021 are provided in the sections headed "CEO statement" and "Management discussion and analysis" on pages 3 to 24 of this annual report.

(a) Principal risks and uncertainties

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

- its financial position, in particular its significant net losses and net operating cash outflows;
- potential impact of outbreaks of infectious diseases (such as COVID-19) on its business operations and clinical research progress;
- its ability to develop and commercialize its drug candidates, and the commercial sales performance of marketed products;
- material aspects of the research and development and commercialization of its pharmaceutical products being heavily regulated;
- lengthy, time-consuming and inherently unpredictable regulatory approval processes of various regulatory authorities for its drug candidates;

BUSINESS REVIEW *(cont'd)*

(a) Principal risks and uncertainties *(cont'd)*

- competition in the pharmaceutical industry and in the oncology drugs market;
- its ability to obtain and maintain patent protection for its drug candidates; and
- its ability to attract, train, retain and motivate qualified and highly skilled personnel.

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

The Company believes that risk management is essential to the Group's effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. The Audit and Connected Transactions Review Committee and the Company's general management division assist the Board in monitoring material risk exposure arising internally and externally from the Group's business, including operational risks, financial risks, regulatory risks, etc., and proactively setting up appropriate risk management and internal control mechanisms to rectify any deficiencies. The Group's financial risk management objectives and policies are set out in Note 3 to the consolidated financial statements.

(b) Environmental Policies and Performance

The Group recognizes the importance of proper adoption of environmental policies which is essential to the attainability of corporate growth. The management has formulated comprehensive standards for environment, health and safety for the Group based on applicable laws, regulations and standards. The Company's environmental safety and health division is responsible for monitoring the compliance with these standards and reviewing the effectiveness of these standards. In addition, to strengthen its environmental, social, and governance work, to further improve the Company's corporate governance structure and to ensure the Company's sustainable development, among others, the Company established the Strategy and ESG Committee on 23 December 2021. The Group will continue to improve its fulfilment of social responsibility.

Please refer to the section headed "Environmental, Social and Governance Report" prepared in accordance with Appendix 27 to the Listing Rules from pages 149 to 210 of this annual report for detailed discussion on the Company's environmental policies and performance.

(c) Compliance with the Relevant Laws and Regulations

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

BUSINESS REVIEW *(cont'd)*

(d) Employee and Emolument Policies

In compliance with Rule 3.25 of the Listing Rules and the CG Code, the Company has established the Remuneration Committee to formulate remuneration policies. The Remuneration Committee is responsible for developing policies and structure for remuneration of all Directors, senior management and employees including salaries, incentive schemes and other share option schemes, and making recommendation to the Board. The Group believes its success depends upon the provision of consistent, quality and reliable services by its employees and hence its ability to attract, retain and motivate qualified personnel is crucial. To attract high-quality employees, the Group offered competitive compensation packages. The remuneration of the employees of the Group generally includes salaries, bonuses, social security contributions and other welfare payments. In accordance with applicable PRC laws, the Group has made contributions to housing provident funds and contributions to social security insurance funds, including basic pension insurance, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance for its employees. In accordance with applicable Taiwan laws, the Group has made contributions to social security insurance funds. Remuneration of each employee varies by functions and titles and their own academic backgrounds, experience, skills, technical knowledge and performance.

In addition, the Group established the Pre-IPO Share Option Scheme in 2013 and has granted options to Directors, senior management and key employees for the primary purpose of providing incentives and reward to its employees. The Group further adopted the Restricted Share Award Scheme in 2020. Please refer to the paragraphs headed "Pre-IPO Share Option Scheme" and "Restricted Share Award Scheme" in this report for further details.

The remuneration of all Directors are determined by the Board having regard to the recommendation of the Remuneration Committee and with reference to the Director's contributions, experience and relevant duties and responsibilities within the Company.

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.

(e) Major Customers and Suppliers

Major Customers

During the year ended 31 December 2021, the Group derived its revenue primarily from commissions for marketing services provided as well as CDMO and CMO service fees. Equipped with full industry value chain capabilities, the Group adopts an open platform business model and collaborates with third party business partners at different stages of the industry value chain. The full industry value chain capabilities make the Group's open platform attractive to an industry player whose capability in certain parts of the industry value chain is complementary to the Group's.

For the year ended 31 December 2021, revenue from the five largest customers of the Group accounted for 82% of its total revenues and the largest customer of the Group accounted for 28% of its total revenues.

At no time during the year ended 31 December 2021 did the Directors, their respective close associates or any shareholder of the Company (who, to the knowledge of the Directors, owned more than 5% of the issued capital of the Company) have any interest in any of the Group's top five customers other than Lumosa Therapeutics. During the year ended 31 December 2021, Lumosa Therapeutics was an associate of Centerlab.

BUSINESS REVIEW *(cont'd)*

(e) Major Customers and Suppliers *(cont'd)*

Major Suppliers and Service Providers

Suppliers of the Group primarily include suppliers of raw materials, CROs, suppliers of machinery and equipment, suppliers of reference drugs, and construction service providers. The Group procures raw materials based on its estimation of the production needs for its research and development activities. The Group obtains raw materials for its manufacturing activities from multiple reputable suppliers who the Group believes have sufficient capacity to meet our demands. The Group selects suppliers of raw materials based on a number of factors, including their product quality, price, delivery time and manners and market reputation, and follow the procedures and standards required by law or industry practice. The Group has also established internal procedure and policies to examine the quality of the products of the suppliers before entering into any contract with them. The Group typically orders raw materials on a purchase order basis and does not enter into long-term dedicated capacity or minimum supply arrangements.

In line with industry practice and to supplement the in-house capabilities of the Group, the Group has also engaged certain CROs to conduct pre-clinical and clinical research. It selects CROs based on various factors, including their quality, reputation and research experience. The Group generally enters into master contract services agreements with the CROs it engages, which include a statement of work specifying the terms of services provided by the CROs, and pays these CROs fixed project-based fees. Under such agreements, all intellectual property rights arising from the performance of the services, including clinical trial data, will be owned by the Group. The Group also requires the CROs to conduct clinical trials in accordance with international good clinical practice (GCP) standards. Typically, the Group requires the CRO personnel handling our clinical trials to hold GCP certification or have GCP training experience.

For the year ended 31 December 2021, purchase amount from the five largest suppliers of the Group accounted for 26% of its total purchase costs and the largest supplier of the Group accounted for 11% of its total purchase costs.

At no time during the year ended 31 December 2021 did the Directors, their respective close associates or any shareholder of the Company (who, to the knowledge of the Directors, owned more than 5% of the issued capital of the Company) have any interest in any of the Group's top five suppliers.

(f) Events after Reporting Period

No important events affecting the Company have occurred from 1 January 2022 up to the date of this report.

FINANCIAL SUMMARY

A summary of the audited consolidated results and the assets and liabilities of the Group for the last five financial years is set out in the section headed "Five-year financial summary" on page 144 of this annual report. This summary does not form part of the audited consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 36 to the consolidated financial statements.

The following is the list of directors of the Company's subsidiaries during the year ended 31 December 2021 and up to the date of this report:

Dr. Liu, Jun
Ms. Yeh-Huang, Chun-Ying
Mr. Fu, Shan
Dr. Kung, Frank Fang-Chien
Mr. Kang, Pei
Mr. Qiu, Yu Min
Ms. Hu, Lan
Dr. Sun, Lijun Richard
Mr. Chang, Hong-Jen

DIVIDENDS

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2021 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 year ended 31 December 2021 and details of the Shares issued during the year ended 31 December 2021 are set out in Note 25 to the consolidated financial statements.

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

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

DEBENTURE ISSUED

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

RESERVES

Details of movement in the reserves of the Group and the Company during the year ended 31 December 2021 are set out in the consolidated statement of changes in equity on page 71 of this annual report and in Notes 26 and 37(a) to the consolidated financial statements.

The Company did not have distributable reserves as at 31 December 2021 calculated under Part 6 of the Companies Ordinance as it has accumulated losses.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2021 are set out in the section headed "Management discussion and analysis" in this annual report and Note 29 to the consolidated financial statements.

DONATIONS

During the year ended 31 December 2021, the Group made charitable donations of approximately RMB264,500.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Company during 2021 or subsisted at the end of 2021 except for the Pre-IPO Share Option Scheme and the Restricted Share Award Scheme, further details of which are set out in the paragraphs headed "Pre-IPO Share Option Scheme" and "Restricted Share Award Scheme" in this report.

PERMITTED INDEMNITY PROVISION

Pursuant to Article 166 of the Company's Amended and Restated Articles of Association, subject to the provisions of the Companies Ordinance, every Director, company secretary or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he may sustain or incur in or about the execution of his office or otherwise in relation thereto.

The Company has purchased directors, company secretary and officers' liabilities insurance on behalf of its directors, Mr. Yao, Jau-Chang, Mr. Chen, Yifan and Mr. Lui, Wing Yat Christopher (being current or former joint company secretaries) and officers.

DIRECTORS

The following is the list of Directors during the year ended 31 December 2021 and up to the date of this report (unless otherwise stated).

Executive Directors

Dr. Liu, Jun *(Chief Executive Officer)*
Ms. Yeh-Huang, Chun-Ying *(Vice Chairman)*

Non-executive Directors

Mr. Fu, Shan *(Chairman)*
Dr. Kung, Frank Fang-Chien (1)
Mr. Kang, Pei (1)
Mr. Qiu, Yu Min

Independent Non-executive Directors

Ms. Hu, Lan
Dr. Sun, Lijun Richard (1)
Mr. Chang, Hong-Jen
Dr. Wang, De Qian (1)

Note:

(1) On 12 March 2022, Dr. Kung, Frank Fang-Chien and Mr. Kang, Pei resigned as non-executive Directors while Dr. Sun, Lijun Richard resigned as independent non-executive Director. On the same day, Dr. Wang, De Qian was appointed as independent non-executive Director. See the Company's announcement dated 12 March 2022 titled "Change of Directors and Change of Composition of Board Committees" for details.

Except as disclosed above, no Director had resigned from the office or refused to stand for re-election to the office during the year ended 31 December 2021 and up to the date of this report.

In accordance with Article 111 of the Amended and Restated Articles of Association, Ms. Yeh-Huang, Chun-Ying, Ms. Hu, Lan and Mr. Chang, Hong-Jen will retire from office by rotation at the forthcoming AGM and, being eligible, will offer themselves for re-election. Dr. Wang, De Qian, who was appointed by the Board as an independent non-executive Director under Article 110 of the Amended and Restated Articles of Association, will hold office until the forthcoming AGM and, being eligible, will offer himself for re-election.

(a) Biographies of the Directors and Senior Management

Brief biographies of the current Directors are set out in the section headed "Biographies of directors and senior management" on pages 25 to 27 of this annual report.

Except as noted in the biographies, none of the Directors have held any other directorships in any listed public companies in the last three years. Further, except as disclosed in the biographies, none of the Directors is connected with any Director, senior management, substantial shareholder or controlling shareholder of the Company and, except as disclosed in the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares and Debentures of the Company or Any of Its Associated Corporations" in this report, none of them has any interests in the shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed in this annual report, there are no other matters relating to the re-election of Directors at the forthcoming AGM that need to be brought to the attention of the Shareholders of the Company nor is there any information to be disclosed pursuant to any of the requirements of Rule 13.51(2) of the Listing Rules.

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

DIRECTORS *(cont'd)*

(b) Directors' Service Contracts and Letters of Appointment

Each of the executive Directors and non-executive Directors has entered into a service contract with the Company, while each of the independent non-executive Directors has signed a letter of appointment with the Company. In preparation for the Global Offering, the term of each Director's service has been adjusted to a fixed term of three years commencing from 12 March 2019.

The term of service of each of Dr. Liu, Jun, Ms. Yeh-Huang, Chun-Ying, Mr. Fu, Shan, Mr. Qiu, Yu Min, Ms. Hu, Lan and Mr. Chang, Hong-Jen has been renewed for another fixed term of three years commencing from 12 March 2022. The newly-appointed Director Dr. Wang, De Qian has signed a letter of appointment with the Company for a term of three years commencing from 12 March 2022.

The above appointments are always subject to the provisions of retirement and rotation of directors under the Amended and Restated Articles of Association of the Company.

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.

(c) Independence of Independent Non-executive Directors

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent in accordance with the guidelines set out in the Listing Rules.

(d) Directors' Interests in Competing Business

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

(e) Directors' Interests in Transactions, Arrangements and Contracts of Significance

No transaction, arrangement or contract of significance to which the Company or any of its subsidiaries has been a party and in which a Director or an entity connected with a Director is or was materially interested, whether directly or indirectly, subsisted at the end of the year ended 31 December 2021 or at any time during the year.

(f) Directors' Rights to Acquire Shares or Debentures

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

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 31 December 2021, the interests or short positions of the Directors or chief executives of the Company in any of the Shares, underlying Shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO), as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests in shares or underlying shares of the Company

Name of Director or chief executive	Nature of interest	Number of Shares interested[1]	Approximate percentage of interest in the Company[2]
Ms. Yeh-Huang, Chun-Ying	Beneficial owner	7,115,700 (L)	1.16%
	Interest through equity derivatives[3]	1,162,500 (L)	0.19%
	Beneficiary of a trust[4]	2,897,383 (L)	0.47%
Dr. Liu, Jun	Interest through equity derivatives[3]	1,100,000 (L)	0.18%
	Beneficiary of a trust[4]	2,741,609 (L)	0.45%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) The calculation is based on the total number of 615,229,497 Shares in issue as at 31 December 2021 and rounded off to two decimal places.

(3) These interests represent the interests in Shares underlying the Pre-IPO Share Options (being unlisted physically-settled equity derivatives) held by Ms. Yeh-Huang, Chun-Ying and Dr. Liu, Jun, respectively.

(4) These interests represent the Restricted Award Shares held by Teeroy Limited on trust for Ms. Yeh-Huang, Chun-Ying and Dr. Liu, Jun, respectively.

Save as disclosed above, as at 31 December 2021, so far as it was known to the Directors or chief executives of the Company, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2021, so far as it was known to the Directors or chief executives of the Company, the following persons (other than the Directors and chief executives of the Company) had interests or short positions in the Shares or underlying Shares of the Company as disclosed to the 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:

Interests in shares or underlying shares of the Company

Name of Shareholder	Nature of interest	Number of Shares interested[1]	Approximate percentage of interest in the Company[2]
Center Laboratories Inc.	Beneficial owner	179,561,700 (L)	29.19%
Mr. Pang Kee Chan Hebert[3]	Interest in controlled corporation	49,136,800 (L)	7.99%
Advantech Capital Partners II Limited[3]	Interest in controlled corporation	49,136,800 (L)	7.99%
Advantech Capital II L.P.[3]	Interest in controlled corporation	49,136,800 (L)	7.99%
Advantech Capital II Master Investment Limited[3]	Interest in controlled corporation	49,136,800 (L)	7.99%
Advantech Capital Investment V Limited[3]	Beneficial owner	49,136,800 (L)	7.99%
Chengwei Evergreen Management, LLC[4]	Interest in controlled corporation	56,573,500 (L)	9.20%
Chengwei Evergreen Capital, L.P.[4]	Interest in controlled corporation	56,573,500 (L)	9.20%
Prime Success International Limited[4]	Beneficial owner	56,573,500 (L)	9.20%
Vivo Capital LLC[5]	Interest in controlled corporation	103,245,000 (L)	16.78%
Vivo Capital VIII, LLC[5]	Interest in controlled corporation	103,245,000 (L)	16.78%
Vivo Capital Fund VIII, L.P.[5]	Beneficial owner	90,718,100 (L)	14.75%
Tricor Trust (Hong Kong) Limited[6]	Trustee	34,393,566 (L)	5.59%

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY *(cont'd)*

Interests in shares or underlying shares of the Company *(cont'd)*

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) The calculation is based on the total number of 615,229,497 Shares in issue as at 31 December 2021 and rounded off to two decimal places.

(3) Advantech Capital Investment V Limited, an exempted company with limited liability incorporated under the laws of Cayman Islands, directly held 49,136,800 Shares. Advantech Capital Investment V Limited is wholly owned by Advantech Capital II Master Investment Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands, which is in turn wholly owned by Advantech Capital II L.P., a private equity fund incorporated under the laws of the Cayman Islands. The general partner of Advantech Capital II L.P. is Advantech Capital Partners II Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands. Advantech Capital Partners II Limited is wholly owned by Mr. Pang Kee Chan Hebert. For the purpose of the SFO, Advantech Capital II Master Investment Limited, Advantech Capital II L.P., Advantech Capital Partners II Limited and Mr. Pang Kee Chan Hebert are deemed to have an interest in the Shares held by Advantech Capital Investment V Limited.

(4) Prime Success International Limited directly held 56,573,500 Shares. Prime Success International Limited is a company with limited liability incorporated under the laws of Hong Kong, which is wholly owned by Chengwei Evergreen Capital, L.P., a venture capital fund incorporated under the laws of the Cayman Islands. The general partner of Chengwei Evergreen Capital, L.P. is Chengwei Evergreen Management, LLC, a limited liability company incorporated under the laws of the Cayman Islands. For the purpose of the SFO, Chengwei Evergreen Capital, L.P. and Chengwei Evergreen Management, LLC are deemed to have an interest in the Shares held by Prime Success International Limited.

(5) Vivo Capital Fund VIII, L.P. directly held 90,718,100 Shares, and Vivo Capital Surplus Fund VIII, L.P. directly held 12,526,900 Shares. Both Vivo Capital Fund VIII, L.P. and Vivo Capital Surplus Fund VIII, L.P. (referred to collectively as Vivo Capital) are limited partnerships organized under the laws of the State of Delaware of the United States. The general partner of Vivo Capital is Vivo Capital VIII, LLC, which is registered in the State of Delaware of the United States. Vivo Capital LLC, registered in the State of California of the United States, serves as the management company of Vivo Capital and has a form of advisory agreement with Vivo Capital VIII, LLC. For the purpose of the SFO, Vivo Capital VIII, LLC and Vivo Capital LLC are deemed to have an interest in the Shares held by Vivo Capital.

(6) Tricor Trust (Hong Kong) Limited directly held 34,393,566 Shares as trustee of a trust established by the trust deed dated 29 May 2020 entered into with the Company in connection with the Restricted Share Award Scheme for the benefit of participants who are not connected persons of the Company.

Save as disclosed above, as at 31 December 2021, no person, other than the Directors or chief executives of the Company whose interests are set out in the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares and Debentures of the Company or Any of its Associated Corporations" in this report, had any interests or short positions in the Shares or underlying Shares as disclosed to the 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.

PRE-IPO SHARE OPTION SCHEME

On 20 February 2013, the Company adopted the Pre-IPO Share Option Scheme with an aim to attract and retain talent necessary for the Group's development, and to incentivize the Group's employees and enhance their cohesion and productivity, thereby creating value for the Company and its Shareholders. The Pre-IPO Share Option Scheme was subsequently amended on 11 December 2017, 20 December 2018, 12 March 2019, 16 April 2019 and 22 July 2019. No further Pre-IPO Share Options may be granted on or after the Listing Date.

Details of the movements of the Pre-IPO Share Options granted under the Pre-IPO Share Option Scheme during the year ended 31 December 2021 are as follows:

				Number of Shares underlying the Pre-IPO Share Options				
Date of grant	Date of vesting	Exercise period	Exercise price (per Share)	Outstanding as at 31 December 2020	Granted (during the year ended 31 December 2021)	Exercised	Cancelled/ Lapsed	Outstanding as at 31 December 2021
1. Ms. Yeh-Huang, Chun-Ying (Director)								
20 February 2013	All vested	Till 19 February 2023	Approximately US$0.286	0	–	–	–	0
14 December 2017	Vested in four equal installments at each of the first four anniversaries of the date of grant	From the date of vesting till 13 December 2027	Approximately US$0.286	1,162,500	–	–	–	1,162,500
2. Dr. Liu, Jun (Director)								
25 December 2017	Vested in four equal installments on 1 January 2019, 2020, 2021 and 2022	From the date of vesting till 24 December 2027	Approximately US$0.286	1,000,000	–	–	–	1,000,000
21 January 2019	To be vested in five equal installments at the fulfillment of certain R&D targets and the second, third, fourth and fifth anniversaries thereof	From the date of vesting till 20 January 2029	Approximately US$0.286	100,000	–	–	–	100,000
3. Senior management and other grantees (being employees of and consultants to the Group)								
Between 20 February 2013 and 18 June 2019	Either vested or to be vested from one to six years from the date of grant or to be vested from zero to five years from the fulfillment of certain R&D targets	Generally, from the date of vesting till the date which is one day preceding the tenth anniversary of the date of grant	Approximately US$0.286	9,811,500	–	1,062,800	1,155,900	7,592,800
Total				**12,074,000**	**–**	**1,062,800**	**1,155,900**	**9,855,300**

The Pre-IPO Share Option Scheme is not subject to the provisions of Chapter 17 of the Listing Rules. For further details of the Pre-IPO Share Option Scheme, please refer to pages V-36 to V-47 of the Prospectus and Note 27 to the consolidated financial statements.

RESTRICTED SHARE AWARD SCHEME

On 29 May 2020, the Company adopted the Restricted Share Award Scheme with an aim (i) to attract and retain talent necessary for the Group's development, and to incentivize the Group's employees and enhance their cohesion and productivity, thereby creating value for the Company and its Shareholders; and (ii) to compensate participants of the Pre-IPO Share Option Scheme for the dilutive effect of the capitalization issue in connection with the Global Offering on their Pre-IPO Share Options. On the same day, the Company entered into two trust deeds with the respective trustees to constitute the trusts in connection with the Restricted Share Award Scheme for the purpose of the grant of Restricted Award Shares to selected participants (who may be employees (including Directors) of or consultants to the Group) from time to time. The Restricted Share Award Scheme was subsequently amended on 29 July 2020 and 23 December 2021. The Restricted Share Award Scheme shall remain valid and effective for a period of ten years from the date of adoption. The aggregate number of Shares which may be allotted and issued to the trustees under the Restricted Share Award Scheme may not exceed 57,000,000 Shares. Pursuant to the terms of the Restricted Share Award Scheme, the maximum number of Shares which may be allotted and issued to the trustees under the Restricted Share Award Scheme during each financial year from 2021 onwards is 14,250,000 Shares. On 23 December 2021, the Board resolved to further amend the terms of the Restricted Share Award Scheme with regards to unvested Shares (i.e. Restricted Award Shares that have failed to vest or have lapsed in respect of a grantee). See the Company's announcement dated 23 December 2021 titled "(1) Grant of Award Shares under Restricted Share Award Scheme (2) Issue of New Shares under General Mandate (3) Amendment to Scheme Rules" for further details of the amendment.

On 29 May 2020, following the adoption of the Restricted Share Award Scheme, the Board also resolved to make a grant of 31,413,796 Restricted Award Shares to 84 grantees (including two Directors) under the Restricted Share Award Scheme; subsequently, on 28 December 2020, 30,466,697 Shares were allotted and issued to the trustees. On 23 December 2021, the Board resolved to make a further grant to 28 grantees (not including any Director) involving a total of 13,700,000 Restricted Award Shares; subsequently, on 30 December 2021, 13,700,000 Shares were allotted and issued to the relevant trustee.

As at 31 December 2021, the remaining number of Shares capable of being allotted and issued to the trustees under the Restricted Share Award Scheme was 12,833,303 Shares, and the number of unvested Shares held by Tricor Trust (Hong Kong) Limited and capable of being reallocated to other non-connected person grantees under the Restricted Share Award Scheme was 3,296,245 Shares.

RESTRICTED SHARE AWARD SCHEME *(cont'd)*

Details of the movements of the Restricted Award Shares granted under the Restricted Share Award Scheme during the year ended 31 December 2021 are as follows:

			Number of Restricted Award Shares						
Trustee	Grantee	Grant consideration (per Share)	Outstanding as at 31 December 2020	Granted, and allotted and issued to trustees (during the year ended 31 December 2021)	Vested	Lapsed	Outstanding as at 31 December 2021	Earliest vesting date	Expiry date
Teeroy Limited	Ms. Yeh-Huang, Chun-Ying (Director)	US$0.28634	965,795	–	–	–	965,795	14 December 2019	13 December 2027
		US$0.28634	965,794	–	–	–	965,794	14 December 2020	13 December 2027
		US$0.28634	965,794	–	–	–	965,794	14 December 2021	13 December 2027
			2,897,383	–	–	–	2,897,383		
Teeroy Limited	Dr. Liu, Jun (Director)	US$0.28634	623,093	–	–	–	623,093	1 January 2019	24 December 2027
		US$0.28634	623,093	–	–	–	623,093	1 January 2020	24 December 2027
		US$0.28634	623,093	–	–	–	623,093	1 January 2021	24 December 2027
		US$0.28634	623,093	–	–	–	623,093	1 January 2022	24 December 2027
		US$0.28634	49,848	–	–	–	49,848	The date of the fulfillment of certain R&D targets	20 January 2029
		US$0.28634	49,848	–	–	–	49,848	The second anniversary of the fulfillment of certain R&D targets	20 January 2029
		US$0.28634	49,847	–	–	–	49,847	The third anniversary of the fulfillment of certain R&D targets	20 January 2029
		US$0.28634	49,847	–	–	–	49,847	The fourth anniversary of the fulfillment of certain R&D targets	20 January 2029
		US$0.28634	49,847	–	–	–	49,847	The fifth anniversary of the fulfillment of certain R&D targets	20 January 2029
			2,741,609	–	–	–	2,741,609		
Tricor Trust (Hong Kong) Limited	Senior management and other grantees (being employees of and consultants to the Group)	US$0.28634	24,453,850	–	4,134,139	2,922,390	17,397,321	Various dates, some of which are linked to the fulfillment of certain R&D targets	Various dates
		HK$0.6	–	13,700,000	–	–	13,700,000	Various dates, which are linked to the fulfillment of certain business and R&D targets	28 May 2030
			24,453,850	13,700,000	4,134,139	2,922,390	31,097,321		
Total			**30,092,842**	**13,700,000**	**4,134,139**	**2,922,390**	**36,736,313**		

The Restricted Share Award Scheme does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules, and is a discretionary scheme of the Company. For further details of the Restricted Share Award Scheme, please refer to pages 8 to 21 of the Company's circular dated 3 August 2020, its announcement dated 23 December 2021 titled "(1) Grant of Award Shares under Restricted Share Award Scheme (2) Issue of New Shares under General Mandate (3) Amendment to Scheme Rules" and Note 27 to the consolidated financial statements.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2021 and up to the date of this report, the Company had the following non-exempt connected transactions and continuing connected transactions.

Continuing connected transactions

Technical Service Agreement and Business Development Service Agreement

On 22 December 2021, TOT Suzhou and Lumosa entered into (i) the technical service agreement, pursuant to which TOT Suzhou agreed to provide certain technical services to Lumosa ("**Technical Service Agreement**"); and (ii) the business development service agreement, pursuant to which Lumosa agreed to provide certain business development services to TOT Suzhou ("**Business Development Service Agreement**"). The Technical Service Agreement and the Business Development Service Agreement pertain to TAA013, the Group's ADC candidate for the treatment of HER2+ advanced breast cancer, which is currently under Phase III clinical trials.

The Technical Service Agreement is effective for a period of one year upon signing or until the completion by TOT Suzhou of the relevant services, whichever is later, but in any event not longer than three years. Such services are currently expected to be completed in 2022. The service fees payable by TOT Suzhou under the Technical service Agreement are currently expected to be RMB2,385,800 and are payable in several installments.

The proposed annual caps for the transaction amount under the Technical Service Agreement during its effective period are RMB818,080 and RMB2,600,000 respectively for the years ended 31 December 2021 and ending 31 December 2022. Such annual caps were determined primarily with reference to (i) the inclusion of the first installment of the service fees in the annual caps for both 2021 and 2022 because of the uncertainty as to the exact timing of payment; and (ii) the inclusion of the entirety of the service fees potentially receivable plus a buffer for possible additional fees for services beyond the originally agreed work scope in the annual cap for 2022. No service fees had been received by the Group for the year ended 31 December 2021 pursuant to the Technical Service Agreement, which did not exceed the proposed annual caps.

With regards to the Business Development Service Agreement, it is effective for a period of one year upon signing. Pursuant to the Business Development Service Agreement, with regards to any form of proceeds received from any third party in any mode as a result of any business development services provided by Lumosa, including but not limited to any signing fees, milestone fees, sales right fees, distributorship revenues and payments for goods ("**Business Proceeds**"), the service fees payable by TOT Suzhou to Lumosa shall be equal to the sum of (i) approximately USD700,000 being preliminary research and development fees ("**Preliminary Fees**"); and (ii) certain percentage of net Business Proceeds after deducting the Preliminary Fees. It is expected that the payment of service fees under the Business Development Service Agreement will be made during 2022.

The proposed annual caps for the transaction amount under the Business Development Service Agreement during its effective period are RMB0 and RMB19,000,000 respectively for the years ended 31 December 2021 and ending 31 December 2022. Such annual caps were determined primarily with reference to the following factors: (a) that no service fee is expected to be payable during 2021; (b) the expected Business Proceeds potentially receivable by the Group during 2022 (up to USD30,000,000) as a result of the business development services provided by Lumosa; and (c) a buffer for exchange rate fluctuations between USD and RMB. The total service fees paid by the Group for the year ended 31 December 2021 pursuant to the Business Development Service Agreement was nil, which corresponded to the proposed annual cap for the year ended 31 December 2021.

Further details are set out in the announcement of the Company dated 22 December 2021.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS *(cont'd)*

Continuing connected transactions *(cont'd)*

Technical Service Agreement and Business Development Service Agreement (cont'd)

Listing Rules Implications

Lumosa is an associate of Centerlab (which, together with its associate BioEngine Technology, is the controlling shareholder of the Company), and is hence a connected person of the Company pursuant to Rules 14A.07(1) and 14A.07(4) of the Listing Rules. Therefore, the transactions contemplated under the Technical Service Agreement and Business Development Service Agreement constitute continuing connected transactions of the Company. Pursuant to Rule 14A.80 of the Listing Rules, on the basis that the revenue ratio under Rule 14.07(3) of the Listing Rules would produce an anomalous result in measuring the size of the transactions contemplated under the Business Development Service Agreement, the Company has applied to the Stock Exchange for, and the Stock Exchange has agreed to the Company, disregarding the revenue ratio in respect of the Business Development Service Agreement. As the highest applicable percentage ratio (under the meaning of Rules 14.04(9), 14A.77 and 14A.78 of the Listing Rules) in respect of the Business Development Service Agreement is less than 5%, and that in respect of the Technical Service Agreement is less than 25% with the total consideration less than HK$10,000,000, the Agreements are exempt from the circular (including independent financial advice) and shareholders' approval requirements pursuant to Rule 14A.76(2), but are nonetheless subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

Confirmation of independent non-executive Directors

Our independent non-executive Directors have reviewed the aforesaid continuing connected transactions of the Group and confirmed that each of the transactions has been entered into: (1) in the ordinary and usual course of business of the Group; (2) on normal commercial terms or on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and (3) in accordance with the relevant agreement governing it on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Connected transactions

Disposal of Listed Securities

On 7 December 2021, the Company entered into a transfer agreement with Centerlab, pursuant to which the Company agreed to sell, and Centerlab agreed to purchase, 1,000,000 ordinary shares of Lumosa with a par value of NTD10 each ("**Lumosa Shares**"), representing approximately 0.658% of the total issued share capital of Lumosa, at a price of NTD36.5 per each of Lumosa Shares for a total consideration (excluding transaction costs) of NTD36,500,000 (equivalent to approximately RMB8,402,000) by way of an off-market block trade ("**Disposal**"). Following the settlement and the completion of the Disposal, the Group will no longer hold any Lumosa Shares.

The transaction price of NTD36.5 per Lumosa Share was determined after arm's length negotiations between the Company and Centerlab, and is equal to the closing price of the Lumosa Shares as quoted on the Taipei Exchange on 30 November 2021, being the last Taipei Exchange trading day of the calendar month in which the respective boards of directors of the Company and Centerlab resolved to submit the transaction proposal to the Investment Commission of the Ministry of Economic Affairs (經濟部投資審議委員會) of Taiwan for approval.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS *(cont'd)*

Connected transactions *(cont'd)*

Disposal of Listed Securities (cont'd)

The Lumosa Shares were classified as financial assets at fair value through other comprehensive income in the Group's consolidated financial statements, where the fair value is measured by the quoted market price of the Lumosa Shares. Not taking into account transaction costs and any applicable taxation, the Group recognized in its consolidated statement of comprehensive loss a gain through other comprehensive income for the year ending 31 December 2021 of RMB326,000, which is the difference between (i) the proceeds from the Disposal of NTD36,500,000 (equivalent to approximately RMB8,402,000); and (ii) the fair value of the Sale Shares as at 31 December 2020 of approximately RMB8,076,000.

As a result of the Disposal, the cumulative gain from investment in the Lumosa Shares through other comprehensive income up to the date of the settlement and completion of the Disposal was realized. Not taking into account transaction costs and any applicable taxation, the Group realized cumulative gain of RMB7,188,000, which is the difference between (i) the proceeds from the Disposal of NTD36,500,000 (equivalent to approximately RMB8,402,000); and (ii) the historical acquisition cost of the Lumosa Shares of approximately RMB1,214,000. Such cumulative gain was reclassified from other reserves to accumulated losses in the Group's consolidated statement of changes in equity.

Further details are set out in the announcement of the Company dated 7 December 2021.

Listing Rules Implications

Centerlab (together with its associate BioEngine Technology) is the controlling shareholder of the Company, and is hence a connected person of the Company pursuant to Rule 14A.07(1) of the Listing Rules. Therefore, the Disposal constitutes a connected transaction of the Company. As the highest applicable percentage ratio (as defined under Rules 14.04(9) and 14A.77 of the Listing Rules) in respect of the Disposal is 0.1% or more but is less than 5%, the Disposal is exempt from the circular (including independent financial advice) and shareholders' approval requirements pursuant to Rule 14A.76(2)(a), but is nonetheless subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

Capital Injection by Vivo Capital Fund VIII into a Subsidiary of the Company

On 7 January 2022, the Company, Vivo Capital Fund VIII and Yaozhan entered into a capital increase agreement, pursuant to which Vivo Capital Fund VIII agreed to subscribe for new registered capital of Yaozhan in the amount of USD500,000 by way of cash injection ("**Capital Increase**"). Prior to the Capital Increase, Yaozhan was a direct wholly-owned subsidiary of the Company with registered capital of USD2,350,000. Upon completion of the Capital Increase, Yaozhan will have a total registered capital of USD2,850,000, comprising (i) USD2,350,000 (approximately 82.46%) subscribed for by the Company; and (ii) USD500,000 (approximately 17.54%) subscribed for by Vivo Capital Fund VIII, and on this basis, Yaozhan will be accounted for as a non-wholly-owned subsidiary of the Company. Pursuant to the articles of association of Yaozhan after the Capital Increase, any profit distribution by Yaozhan will be made in proportion to the paid-up capital of its shareholders. As at the date of this report, the Company has paid up USD1,900,000 of the registered capital of Yaozhan, while Vivo Capital Fund VIII has not yet paid up any of the registered capital of Yaozhan that it subscribed. On this basis, it is expected that after Vivo Capital Fund VIII is to pay up its subscribed registered capital of Yaozhan in the amount of USD500,000, the Company and Vivo Capital Fund VIII will be entitled to approximately 79.17% and 20.83%, respectively, of any profit distribution by Yaozhan.

Further details are set out in the announcement of the Company dated 7 January 2022.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS *(cont'd)*

Connected transactions *(cont'd)*

Capital Injection by Vivo Capital Fund VIII into a Subsidiary of the Company (cont'd)

Listing Rules Implications

Based on public information, as at the date of the announcement of the Capital Increase, Vivo Capital Fund VIII and its affiliate Vivo Capital Surplus Fund VIII, L.P. (which has the same general partner as Vivo Capital Fund VIII) in aggregate held approximately 16.78% of the total issued share capital of the Company. As such, Vivo Capital Fund VIII is a substantial shareholder of the Company, and is hence a connected person of the Company pursuant to Rule 14A.07(1) of the Listing Rules. Therefore, the Capital Increase constitutes a connected transaction of the Company. As the highest applicable percentage ratio (as defined under Rules 14.04(9) and 14A.77 of the Listing Rules) in respect of the Capital Increase is 0.1% or more but is less than 5%, the Capital Increase is exempt from the circular (including independent financial advice) and shareholders' approval requirements pursuant to Rule 14A.76(2)(a), but is nonetheless subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

Related Party Transactions

Details of the related party transactions for the year ended 31 December 2021 are set out in Note 35 to the consolidated financial statements. None of the related party transactions as disclosed in Note 35 to the consolidated financial statements constitute connected transaction or continuing connected transaction of the Group which has to be disclosed in accordance with Chapter 14A of the Listing Rules, except for the transactions described above in respect of which the requirements in accordance with Chapter 14A of the Listing Rules have been complied with.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACT OF SIGNIFICANCE

Save as disclosed in this annual report, no controlling shareholder of the Company or its subsidiaries had a material interest, either directly or indirectly, in any contract of significance, whether for the provision of services or otherwise, to the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2021.

NON-COMPETITION UNDERTAKINGS

As disclosed in the Prospectus, Centerlab executed a deed of non-competition in favour of the Company on 25 October 2019 (the "**Deed of Non-Competition**"), pursuant to which Centerlab has undertaken to the Group that for the duration of the Non-Compete Period (as defined below), it shall not, and shall use its best endeavors to procure that its respective close associates will not, solely or jointly or in cooperation with other parties, without the prior written consent of the Company: (a) hold and/or be interested in, either directly or indirectly, any shares or securities or interest in any company or other entity whose business primarily involves, directly or indirectly, research and development of innovative anti-tumor drugs (other than through contracting the Group to develop such drugs in transactions in compliance with the Listing Rules) (the "**Restricted Business**") in the PRC (the "**Restricted Region**"); or (b) otherwise engage or be involved in any Restricted Business in the Restricted Region (the "**Non-Competition Undertakings**").

The undertakings given by Centerlab under the Deed of Non-Competition are effective from the Listing Date and terminate on the earliest of: (i) the date on which Centerlab ceases to be a substantial shareholder of the Company as defined in the Listing Rules; (ii) the date on which the Shares cease to be listed on the Stock Exchange; and (iii) the date on which the Group ceases to engage in the Restricted Businesses (the "**Non-Compete Period**").

Centerlab has confirmed in writing to the Company of its compliance with the Non-Competition Undertakings for the year ended 31 December 2021.

The independent non-executive Directors have reviewed the implementation of the Non-Competition Undertakings and confirmed that, as far as they can ascertain, the Non-Competition Undertakings were complied with by Centerlab for the year ended 31 December 2021.

MANAGEMENT CONTRACTS

No contract, concerning the management and administration of the whole or any substantial part of the business of the Company, as required to be disclosed under section 543 of the Companies Ordinance, was entered into or existed during the year ended 31 December 2021.

MATERIAL LITIGATION

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

USE OF NET PROCEEDS FROM GLOBAL OFFERING

The net proceeds raised during the Global Offering were approximately RMB448,615,000 after deduction of the underwriting fees and commissions and expenses payable by the Company in connection with the Global Offering (the "**Net Proceeds**").

As at 31 December 2020, the unused amount of the Net Proceeds was approximately RMB182,161,000. During the year ended 31 December 2021, such Net Proceeds were utilized in accordance with the proposed applications as set out in the Company's announcement dated 27 October 2020 titled "Change in Use of Net Proceeds from the Global Offering". As at 31 December 2021, the Company had utilized all Net Proceeds.

Use of the Net Proceeds during the year ended 31 December 2021

A breakdown of the use of the Net Proceeds during the year ended 31 December 2021 in accordance with the disclosure in the aforesaid announcement is set forth as follows:

Purpose	Unused amount as at 31 December 2020 *(RMB'000, approximate)*	Used during the year ended 31 December 2021 *(RMB'000, approximate)*
For ongoing and planned clinical trials, preparation for registration filings, planned commercial launches (including sales and marketing) of TAB008	19,750	19,750
For ongoing and planned clinical trials, expansion of facilities, registration filings and potential commercial launch (including sales and marketing) of TAA013	53,737	53,737
For ongoing and planned pre-clinical and clinical trials, expansion of facilities, preparation for registration filings and potential commercial launches (including sales and marketing) as well as transformation and upgrade of platform technologies of the other drug candidates in our pipeline, including but not limited to TOZ309, TOM312 and TAB014	24,094	24,094
For non-project specific capital expenditure and production capacity upgrade for overall integrated applications	65,416	65,416
For our working capital and other general corporate purposes	19,164	19,164
Total	**182,161**	**182,161**

PUBLIC FLOAT

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this annual report, the Group does not have other plans for material investments and capital assets.

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the section headed "Corporate governance report" of this annual report.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The AGM of the Company will be held in June 2022. A notice convening the AGM and setting out the arrangements in relation to the closure of register of members will be published and dispatched to the Shareholders in due course in accordance with the requirements of the Listing Rules.

REVIEW BY AUDIT AND CONNECTED TRANSACTIONS REVIEW COMMITTEE

The Audit and Connected Transactions Review Committee has reviewed the financial reporting processes, risk management and internal control systems of the Group and the consolidated financial statements of the Group for the year ended 31 December 2021, and is of the opinion that these statements have complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosure has been made.

AUDITOR

The consolidated financial statements of the Group have been audited by PricewaterhouseCoopers, Certified Public Accountants, who will retire and, being eligible, offer themselves for re-appointment at the AGM. A resolution to re-appoint PricewaterhouseCoopers and to authorise the Directors to fix its remuneration will be proposed at the AGM.

By the order of the Board
Dr. Liu, Jun
Chief Executive Officer and Executive Director

Hong Kong
24 March 2022

INDEPENDENT AUDITOR'S REPORT

To the Members of TOT BIOPHARM International Company Limited
(incorporated in Hong Kong with limited liability)

OPINION

What we have audited

The consolidated financial statements of TOT BIOPHARM International Company Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 68 to 143, comprise:

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

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS *(cont'd)*

Key audit matter identified in our audit is related to assessment of impairment indicators of property, plant and equipment.

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment of impairment indicators of property, plant and equipment Refer to notes 4 (Critical accounting estimates and judgements) and 15 (Property, plant and equipment) to the consolidated financial statements. As at 31 December 2021, the Group's property, plant and equipment amounted to approximately RMB307,668,000. The Group is a biotechnology company which is still in the research and development stage. During the year ended 31 December 2021, the Group had an operating loss. As the property, plant and equipment are mainly used for research and development ("R&D") purposes and the production of new drugs upon launch, the failure of meeting the expected milestones according to the business plans of the R&D projects may be an impairment indicator of property, plant and equipment. We considered the assessment of impairment indicators of property, plant and equipment a key audit matter because it involved critical management judgments including the expected milestones and the outcome of the new drugs' development and whether there are any significant delays from the business plans.	Our procedures performed in relation to management's assessment of impairment indicators of property, plant and equipment mainly include the following: • Obtained an understanding of the management's internal control and assessment process of the impairment indicators of property, plant and equipment and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as the management estimates involved in determining whether an impairment indicator existed at year end; • Obtained the business plans of the R&D projects prepared by management, which set out the details of the expected milestones and the outcome of the new drugs' development and understood the key basis in preparing the business plans; • Considered whether the judgements made in the expected milestones and the outcome of the new drugs' development would give rise to indicators of possible management bias; • Inquired management and inspected the relevant supporting documents to understand the progress of major R&D projects to assess whether there were any significant delays from the business plans, on a sample basis; • Discussed with management to understand the technological, market, economic and legal environment and corroborated with supporting evidence to assess whether there were any significant changes with an adverse effect on the Group; • Considered whether the carrying amount of the net assets of the Group was more than its market capitalization as at year end; and • Performed physical observation of property, plant and equipment to evaluate the condition of major property, plant and equipment to determine whether there were any damaged or outdated items. Based on the audit procedures performed, we found the key judgements used by management in the assessment of impairment indicators of property, plant and equipment to be supportable by the available evidence.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(cont'd)*

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(cont'd)*

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

The engagement partner on the audit resulting in this independent auditor's report is Chan Chiu Kong, Edmond.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 March 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

For the year ended 31 December 2021

	Note	Year ended 31 December 2021 RMB'000	2020 RMB'000
Revenue	5	**76,325**	22,491
Cost of revenue	6	**(48,851)**	(6,961)
Research and development expenses	6	**(214,699)**	(235,196)
Selling expenses	6	**(22,849)**	(25,953)
General and administrative expenses	6	**(56,336)**	(46,855)
Other income	9	**167**	–
Other gains – net	10	**6,543**	3,802
Operating loss		**(259,700)**	(288,672)
Finance income	11	**969**	1,880
Finance costs	11	**(2,468)**	(1,706)
Finance (costs)/income – net	11	**(1,499)**	174
Share of net loss of the joint venture accounted for using the equity method	12	**(17)**	–
Loss before income tax		**(261,216)**	(288,498)
Income tax expense	13	**–**	–
Loss for the year and attributable to the equity holders of the Company		**(261,216)**	(288,498)
Other comprehensive loss:			
Items that will not be reclassified to profit or loss			
Changes in the fair value of equity instruments at fair value through other comprehensive income	19	**326**	85
Items that may be reclassified to profit or loss			
Exchange difference on translation	26	**(1,282)**	(3,339)
Other comprehensive loss for the year, net of tax		**(956)**	(3,254)
Total comprehensive loss for the year and attributable to the equity holders of the Company		**(262,172)**	(291,752)
Loss per share for the year and attributable to the equity holders of the Company			
– Basic and diluted losses per share (RMB)	14	**(0.46)**	(0.51)

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

CONSOLIDATED BALANCE SHEET

As at 31 December 2021

	Note	As at 31 December 2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**307,668**	290,367
Prepayments for property, plant and equipment	15	**55,759**	416
Right-of-use assets	18	**15,733**	20,639
Investment properties	16	**3,583**	–
Intangible assets	17	**5,123**	3,229
Investments accounted for using the equity method	12	**1,483**	–
Financial assets at fair value through other comprehensive income	19	**–**	8,076
Other non-current assets	22	**14,951**	69,229
		404,300	391,956
Current assets			
Inventories	20	**29,558**	8,114
Trade and other receivables	21	**15,032**	5,851
Prepayments	22	**16,754**	8,827
Contract assets	5	**11,952**	902
Cash and cash equivalents	23	**152,805**	225,533
Other current assets	22	**79,862**	–
		305,963	249,227
Total assets		**710,263**	641,183
EQUITY			
Share capital	25	**1,892,906**	1,874,438
Other reserves	26	**37,797**	49,503
Accumulated losses		**(1,595,612)**	(1,341,584)
Total equity attributable to the equity holders of the Company		**335,091**	582,357

Consolidated balance sheet
As at 31 December 2021

	Note	As at 31 December 2021 RMB'000	2020 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	29	**59,775**	–
Lease liabilities	31	**1,136**	6,083
Other non-current liabilities	32	**53,453**	–
		114,364	6,083
Current liabilities			
Borrowings	29	**146,191**	–
Trade and other payables	30	**86,238**	42,316
Contract liabilities	5	**22,199**	9,104
Lease liabilities	31	**1,463**	1,323
Other current liabilities	32	**4,717**	–
		260,808	52,743
Total liabilities		**375,172**	58,826
Total equity and liabilities		**710,263**	641,183
Net current assets		**45,155**	196,484
Total assets less current liabilities		**449,455**	588,440

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

The consolidated financial statements on pages 68 to 143 were approved by the Board of Directors on 24 March 2022 and were signed on its behalf.

Mr. Liu, Jun
Director

Ms. Yeh-Huang, Chun-Ying
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Note	Attributable to equity holders of the Company			
		Share capital RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total equity/ (deficit) RMB'000
Balance at 1 January 2021		**1,874,438**	**49,503**	**(1,341,584)**	**582,357**
Loss for the year		**–**	**–**	**(261,216)**	**(261,216)**
Other comprehensive loss	26	**–**	**(956)**	**–**	**(956)**
Total comprehensive loss		**–**	**(956)**	**(261,216)**	**(262,172)**
Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings		**–**	**(7,188)**	**7,188**	**–**
Transactions with owners					
Share-based compensation expense	27	**–**	**5,296**	**–**	**5,296**
Issue of shares upon exercise of share options	26	**3,249**	**(1,259)**	**–**	**1,990**
Increase in share capital upon receipt of the grant consideration under 2020 Restricted Share Award Scheme		**15,219**	**(7,599)**	**–**	**7,620**
Total transactions with owners		**18,468**	**(3,562)**	**–**	**14,906**
Balance at 31 December 2021		**1,892,906**	**37,797**	**(1,595,612)**	**335,091**
Balance at 1 January 2020		1,874,438	36,925	(1,053,086)	858,277
Loss for the year		–	–	(288,498)	(288,498)
Other comprehensive loss	26	–	(3,254)	–	(3,254)
Total comprehensive loss		–	(3,254)	(288,498)	(291,752)
Transactions with owners					
Share-based compensation expense	27	–	15,832	–	15,832
Total transactions with owners		–	15,832	–	15,832
Balance at 31 December 2020		1,874,438	49,503	(1,341,584)	582,357

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Note	Year ended 31 December 2021 RMB'000	2020 RMB'000
Cash used in operating activities			
Net cash used in operations	33(a)	**(176,106)**	(263,202)
Interest received		**969**	1,880
Interest paid		**(2,000)**	(1,794)
Net cash used in operating activities		**(177,137)**	(263,116)
Cash flow (used in)/from investing activities			
Purchase of property, plant and equipment		**(112,283)**	(20,487)
Purchase of intangible assets	17	**(3,030)**	(1,694)
Proceeds from disposal of property, plant and equipment	33(b)	**18**	358
Proceeds from disposal of financial assets at fair value through other comprehensive income	19	**8,402**	–
Investment in financial assets at fair value through profit or loss		**–**	(365,570)
Payment for investment in joint venture, net of cash acquired		**(1,500)**	–
Proceeds from disposal of financial assets at fair value through profit or loss		**–**	399,919
Net cash (used in)/generated from investing activities		**(108,393)**	12,526
Cash from/(used in) financing activities			
Proceeds from issue of shares upon exercise of share options		**1,990**	–
Proceeds from receipt of the grant consideration for award shares		**7,620**	–
Proceeds from bank borrowings	33(c)	**205,966**	–
Repayment of bank borrowings	33(c)	**–**	(60,000)
Payment of lease liabilities	33(c)	**(1,494)**	(1,707)
Net cash generated from/(used in) financing activities		**214,082**	(61,707)
Net decrease in cash and cash equivalents		**(71,448)**	(312,297)
Cash and cash equivalents at beginning of the year		**225,533**	539,180
Exchange losses on cash and cash equivalents		**(1,280)**	(1,350)
Cash and cash equivalents at end of the year	23	**152,805**	225,533

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

TOT BIOPHARM International Company Limited (the "Company") was incorporated in Hong Kong on 4 December 2009 as a company with limited liability under the Hong Kong Law. The address of its registered office is Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (together, the "Group") are primarily engaged in research and development ("R&D"), manufacturing, and marketing of anti-tumor drugs in the People's Republic of China (the "PRC").

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 8 November 2019.

These financial statements are presented in thousands of Renminbi ("RMB'000"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by HKICPA and requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.1 Basis of preparation *(cont'd)*

2.1.1 Adoption of amendments to standards and interpretations

The Group has adopted the following amendment to standards and interpretations which are mandatory for the year ended 31 December 2021:

		Effective for annual periods beginning on or after
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 (amendments)	1 January 2021

The adoption of these amendments to standards and interpretations did not have any impact on the consolidated financial statements or result in any significant changes in the Group's significant accounting policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.1 Basis of preparation *(cont'd)*

2.1.2 New standards and amendments to standards not yet adopted

Standards and amendments to standards that have been issued but not yet effective and not been early adopted by the Group during the year are as follows:

Standards	Key requirements	Effective for accounting periods beginning on or after
HKFRS 16 (Amendments)	COVID-19-related Rent Concessions	1 April 2021
Annual Improvements to HKFRS Standards 2018–2020		1 January 2022
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
AG 5 (Revised)	Merger Accounting for Common Control Combinations	1 January 2022
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HK Int 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	Applied when an entity applies Amendments to HKAS 1
HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)	To be determined

The Group has already commenced an assessment of the related impact of the above standards and amendments to standards which are relevant to the Group's operation. There are no other standards that are not yet effective and that are expected to have a material impact on the Group's financial performance and position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.2 Subsidiaries and jointly controlled entities

(a) Subsidiaries

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

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

(b) Jointly controlled entities

Jointly controlled entities are joint ventures that involve the establishment of corporation in which the Group and other venturers have their respective interests. The jointly controlled entities operate in the same way as other entities, except that a contractual agreement between the Group and other venturers established joint control and none of the participating parties has unilateral control over the economic activity of the jointly controlled entities. Investments in jointly controlled entities are accounted for using the equity method of accounting.

2.3 Separate financial statements

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

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

2.4 Segment reporting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is United States Dollars ("USD"). However, the consolidated financial statements are presented in RMB as the major operations of the Group are within the PRC (unless otherwise stated).

(b) Transactions and balances

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

Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in the consolidated statement of comprehensive loss.

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

(c) Group companies

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

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

(ii) Income and expenses for each statement of comprehensive loss are translated at average exchange rates of that period; and

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs incurred during the construction period are capitalized.

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

Construction in progress represents unfinished construction and equipment under construction or pending installation, and is stated at cost less impairment losses. Cost comprises direct costs of construction including borrowing costs attributable to the construction during the period of construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs, net of their residual values, over their estimated useful lives, as follows:

Building	10-20 years
Plant and equipment	10 years
Machinery	5-10 years
Testing equipment	5-10 years
Others	5-10 years

The assets' residual values representing 5% of the original cost, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "Other gains – net" in the consolidated statement of comprehensive loss.

2.7 Investment properties

Investment properties, principally comprising buildings, are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group. Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using a straight-line method to allocate the depreciable amounts over the estimated useful lives. The residual values and useful lives of investment properties are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are included in the income statement when the changes arise. The gain or loss on disposal of investment property is calculated as the difference between the net disposal proceeds and the carrying amount at the date of disposal.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.8 Intangible assets

(a) Software

Computer software is recognized at historical cost and subsequently carried at cost less accumulated amortization and accumulated impairment losses. The Group amortized on a straight-line basis over their estimated useful lives of 5 years.

(b) Research and development expenditures

The Group incurs significant costs and efforts on research and development activities, which include expenditures on biosimilar and oncology drug. Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities is recognized if, and only if, all of the following have been demonstrated:

(i) the technical feasibility of completing the intangible assets so that it will be available for use or sale;

(ii) the intention to complete the intangible asset and use or sell it;

(iii) the ability to use or sell the intangible assets;

(iv) the intangible asset will generate probable future economic benefits;

(v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

(vi) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized 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. The Group generally considers capitalization criteria is met when obtaining regulatory approval. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in the consolidated statement of comprehensive loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any).

2.9 Impairment of non-financial assets

Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.10 Financial assets

2.10.1 Classification

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

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

(ii) Those to be measured at amortized cost.

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

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

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

2.10.2 Measurement

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.10 Financial assets *(cont'd)*

2.10.2 Measurement (cont'd)

Debt instruments

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

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

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

Fair value through profit or loss ("FVPL"): Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the consolidated statement of comprehensive loss within "Other gains – net", in the period in which it arises.

Equity instruments

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

Changes in the fair value of financial assets at FVPL are recognized in "Other gains – net" in the consolidated statement of comprehensive loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.12 Impairment of financial assets

The Group has three types of financial assets subject to HKFRS 9's expected credit loss model:

(a) trade receivables

(b) contract assets, and

(c) other receivables.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Impairment on other receivables is measured as either 12-month expected credit loss or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit loss.

2.13 Inventories

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

2.14 Trade and other receivables

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.15 Prepayments

Prepayments which are generally due for transfer to expense within one year or less and therefore are all classified as current assets.

Prepayments may include upfront cash payments made to contract research organizations ("CROs"), which are organizations that provide support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis. Prepayments to CROs will be subsequently recorded as research and development expenses in accordance with the applicable performance requirements.

2.16 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.17 Share capital

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

2.18 Trade and other payables

Trade and other payables mainly represent the obligations to pay for services that have been acquired in the ordinary course of business. Trade and other payables are presented as current liabilities unless payment is not due within one year or less after the reporting period.

Trade and other payables are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2.19 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of comprehensive loss over the period of the borrowings using the effective interest method.

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

General and specific borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Other borrowing costs are expensed as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.20 Current and deferred income tax

The tax expense for the year comprises current and deferred income tax.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.21 Employee benefit expenses

(a) Short-term obligations

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

(b) Pension obligations

Full-time employees in the PRC are covered by various government-sponsored defined contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no further payment obligation for post-retirement benefits beyond the contributions made.

TOT BIOPHARM Company Limited ("TOT Taipei"), a subsidiary of the Company, has established a defined contribution pension plan under the Labour Pension Act, covering all regular Taiwan employees. Under the plan, the Group contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labour Insurance.

Contributions to these plans are expensed as incurred and contributions paid to the defined-contribution pension plans for an employee are not available to reduce the Group's future obligations to such defined-contribution pension plans even if the employee leaves.

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

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

(d) Bonus plan

The expected cost of bonus is recognized as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(e) Employee leave entitlement

Employee entitlement to annual leave are recognized when they have accrued to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlement to sick leave and maternity leave is not recognized until the time of leave.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.22 Share-based compensation benefits of the Group

(a) Equity-settled share-based payment transaction

The Group operates stock options and restricted shares granted to employees, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of equity instruments (options) is recognized as an expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

(i) including any market performance conditions;

(ii) excluding the impact of any service and non-market performance vesting conditions;

(iii) including the impact of any non-vesting conditions (for example, the requirement for employees to serve).

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

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

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

(b) Share-based payment transaction among group entities

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.23 Government grants

Government grants are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all the attached conditions. Government grants related to costs are recognized in the consolidated statement of comprehensive loss on a systematic basis over the periods in which the Group recognizes expenses for the related costs for which the grants are intended to compensate. Government grants related to property, plant and equipment are recognized as non-current liabilities and are amortized to the consolidated statement of comprehensive loss over the estimated useful lives of the related assets using the straight-line method.

2.24 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

2.25 Revenue recognition

Revenue is recognized to depict the provision of promised services and transfer of goods to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services or goods.

Revenue is recognized when, or as, obligations under the terms of a contract are satisfied, which occurs when control of the promised products or services is transferred to customers. Revenue is measured as the amount of consideration the Group expects to receive in exchange for transferring products or services to a customer ("transaction price").

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

Depending on the terms of the contract and the laws applicable, control of the goods and services may be transferred over time or at a point in time.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.25 Revenue recognition *(cont'd)*

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due. There is normally no significant cost to obtain contract.

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.

The following is a description of the accounting policy for the principal revenue streams of the Group.

(a) Revenue from contract manufacturing organization ("CMO") services

Contract manufacturing organization, or CMO, provides commercial manufacturing of products for companies that had already developed and validated pharmaceutical manufacturing processes.

The Group earns revenue from providing CMO services to other pharmaceutical companies. Contract duration is generally less than one year. If the contract is early terminated, the Company is only entitled to the compensation for the cost of any in-progress or undelivered products. Therefore the contract is accounted for at point in time upon transfer of the control of the products to the customers which is generally when the customers accept the products. Contract price is generally fixed and paid according to payment schedule as agreed in the contract. Upfront payments received by the Group are initially recognized as a contract liability. Costs including raw materials, labour, depreciation and other production costs attributable to CMO services are included in "cost of revenue".

(b) Revenue from contract development and manufacturing organization ("CDMO") services

Contract development and manufacturing organization, or CDMO, provides integrated services including drug manufacturing, development, optimization and trial production etc. These services allow companies to outsource development and manufacturing work and move quickly from product concept into first-in-human studies.

The Group earns revenue from providing CDMO services to other pharmaceutical companies. Contract duration is generally less than one year and includes a single performance obligation as delivery of integrated services over a period of time. The contract is normally at fixed price and paid according to milestones specified in the contract. Upfront payments received by the Group are initially recognized as a contract liability. Services revenue is recognized as the performance obligation satisfied over time based on the stage of completion of the contract. The Group uses input method to measure progress towards complete satisfaction of the performance obligation under HKFRS 15. Costs including raw materials, labour, depreciation and other production costs attributable to CDMO services are included in "cost of revenue".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.25 Revenue recognition *(cont'd)*

(c) Revenue from clinical research and other contract research organisation ("CRO") services

Clinical research services mainly include clinical development services, which include project planning, clinical operation and monitoring and managements of clinical trials, outcomes research and embedded outsourcing.

The Group earns revenues from providing CRO services to other pharmaceutical companies. Contracts mainly include a single performance obligation as delivery of integrated services over a period of time. The contracts are normally at fixed price and paid according to milestones specified in the contracts. Upfront payments received by the Group are initially recognized as a contract liability. Services revenue is recognized as the performance obligation satisfied over time based on the stage of completion of the contracts. The Group uses input method to measure progress towards complete satisfaction of the performance obligation under HKFRS 15. Costs including labour, outsourcing CRO services and other costs attributable to CRO services are included in "cost of revenue".

(d) Revenue from license granted

The Group provides license of its intellectual properties ("IP") to customers as well as providing certain R&D service. The license of IP and the R&D service are distinct performance obligations. The consideration comprises a fixed element (the upfront payment) and two variable elements (development milestone payment and royalties based on future sales). Initially only fixed consideration is included in the transaction price. The amount of the variable consideration for milestone payments included in the transaction price is determined to be zero at inception, based on the most likely amount and the application of the variable consideration constraint, i.e. such variable consideration is only included in the transaction price when it is highly probable that no significant reversal of revenue when the uncertainty is resolved. The non-refundable upfront payment only relates to the license and R&D service. The upfront payment is allocated between the two performance obligations based on the stand-alone selling price. The sales-based royalty will only be included in the transaction price when actual sales are made.

The control of the license transfers at point in time, when the customer obtains the right to use the underlying IP of the license. Control of the R&D service is transferred over time based on the progress measured using input method. The sales-based royalties are recognized as revenue when the subsequent sales are made.

Costs related to licensing and R&D services are included in "research and development expenses".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.25 Revenue recognition *(cont'd)*

(e) Revenue from commission

The Group earns commission from providing promotion services to its customers, which are pharmaceutical companies, helping them to sell their products in the market. The Group is not the principal for selling those products, as it does not have control over the products to be sold, act as the primary obligor for selling the product neither, bear any inventory risk nor have any price discretion. The commission is based on pre-determined percentage of the actual monthly sales, and settled with the customers periodically, subject to annual price adjustment based on actual volume. The Group includes the price adjustment in the transaction price such that it is highly probable that there will not be significant reversal of revenue in future when the uncertainty is resolved. The right to consideration relating to price adjustment is recorded as contract assets and it will be transferred to receivables when the right is unconditional except for passage of time. The Group is not the principal in selling the products. Accordingly, the Group recognizes commission revenue at the net amount to which it expects to be entitled in exchange for its service. Costs related to the service are included in "selling expenses".

(f) Sales of goods

The Group sells certain pharmaceutical products to the customer. Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location where the risks of obsolescence and loss have been transferred to the client, and either the client has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied. The price is normally fixed and with no sales discount or volume rebate. Goods return are very rare. Costs related to sales of goods are included in "cost of revenue".

2.26 Leases as lessee

The Group leases properties and land use right in the PRC as lessee. Rental contracts of properties are typically made for fixed periods of 2 to 5 years but may have extension options as described below. Land use right is made for fixed periods of 50 years.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of comprehensive loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The consideration paid to lease the state-owned or collectively-owned land in the PRC are treated as prepayment for land use rights and included in right-of-use assets, which are stated at cost less accumulated amortization and impairment loss, if any. Land use rights are amortized over the lease period using straight-line method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.26 Leases as lessee *(cont'd)*

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate; and
- payments of penalties for terminating the lease, if the lease term reflects the Group, as a lessee, exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or the incremental borrowing rate of respective entities. Right-of-use assets are measured at cost comprising the followings:

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentive received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the consolidated statement of comprehensive loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise equipment and small items of office furniture.

Extension options are only included in the lease term if the lease is reasonably certain to be extended. The Group determine the lease term as the non-cancellable period of a lease, together with both:

- periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.27 Interest income

Interest income is recognized on a time-proportion basis taking into account of the principal outstanding and the effective interest rate over the period to maturity, when it is determined that such income will accrue to the Group.

2.28 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's directors or shareholders, where applicable.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and financial performance.

3.1.1 Market risk

(a) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The Company's functional currency is USD. The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency.

Certain bank balances and cash, trade receivables and other receivables, contract assets and other payables are denominated in foreign currencies of respective Group entities which are exposed to foreign currency risk. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant Group entity. The Group has entities operating in USD, New Taiwan Dollars ("NTD") and RMB, and the Group will constantly review the economic situation and its foreign exchange risk profile, and will consider appropriate hedging measures in the future, as may be necessary.

Most foreign exchange transactions were denominated in RMB for the Company that have functional currency in USD and USD for the Group companies that have functional currency in RMB. If the USD strengthened/weakened by 5% against the RMB with all other variables held constant, net loss for the year ended 31 December 2021 would have been RMB453,000 lower/higher (2020: RMB114,000 higher/lower).

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.1 Financial risk factors *(cont'd)*

3.1.1 Market risk (cont'd)

(b) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet as at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

As at 31 December 2021, the Group had no financial assets at fair value through other comprehensive income. As at 31 December 2020, the Group's investments in equity securities comprise listed stock, which were listed at over-the-counter market of Taiwan. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 5% with all other variables held constant, other components of equity for the year ended 31 December 2020 would have increased/decreased by RMB403,797, as a result of change in other comprehensive income for equity investment at fair value through other comprehensive income.

(c) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates exposed the Group to fair value interest rate risk.

The Group has not hedged its cash flow or fair value interest-rate risk. As at 31 December 2021, the Group's borrowings at floating rate and fixed rate amounted to approximately RMB109,775,000 and RMB96,191,000 respectively.

The Group currently does not use any interest rate swap contracts or other financial instruments to hedge against its interest rate risk exposure. Management will continue to monitor interest rate risk exposure and will consider hedging significant interest rate risk exposure should the need arise.

As at 31 December 2021, if the interest rates on borrowings at floating rates had been 10% higher/lower with all other variables held constant, the Group's loss before income tax for the year would have been higher/lower by approximately RMB364,000 (2020: Nil), mainly as a result of higher/lower interest expenses on borrowings.

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.1 Financial risk factors *(cont'd)*

3.1.2 Credit risk

Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered.

(a) Trade receivables and contract assets

Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. The utilization of credit limits is regularly monitored. Credit risks mainly arises from credit exposure from CDMO and CMO, and credit terms are usually 60 days. Management makes periodic assessments as well as individual assessment on the recoverability based on historical settlements records and experience and adjusts for forward-looking information. The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets.

All of the Group's customers are reputable pharmaceutical companies. As at 31 December 2021, the Group has assessed that the expected loss rate for trade receivables and contract assets was immaterial, taking into consideration the low historical default rates and the expectation that significant change of forward-looking factors is unlikely. Thus, no loss allowance provision for trade receivables and contract assets were recognized during the year (2020: same).

(b) Cash and cash equivalents and other receivables

To manage this risk, cash and cash equivalents are mainly placed or invested with state-owned or reputable financial institutions in the PRC and reputable international financial institutions outside of the PRC. There has been no history of default in the recent years in relation to these financial institutions and accordingly no loss allowance provision was recognized. Management makes periodic assessments as well as individual assessment on the recoverability based on historical settlements records and past experience and adjusts for forward-looking information. Management has assessed that during the year, other receivables have not had a significant increase in credit risk since initial recognition. Thus, a 12-month expected credit loss approach that results from possible default event within 12 months of each reporting date is adopted by management. The directors of the Company does not expect any losses from non-performance by the counterparties of other receivables and no loss allowance provision for other receivables was recognized.

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.1 Financial risk factors *(cont'd)*

3.1.3 Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents to meet the Group's liquidity requirements.

The table below analyses the Group's non-derivative financial liabilities that will be settled into relevant maturity grouping based on the remaining period at each balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 31 December 2021

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
Trade and other payables (Note 30)	**60,403**	**–**	**–**	**–**
Borrowings (including interest payables) (Note 29)	**152,102**	**2,540**	**62,873**	**–**
Lease liabilities (Note 31)	**1,530**	**1,000**	**198**	**–**
	214,035	**3,540**	**63,071**	**–**

As at 31 December 2020

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
Trade and other payables (Note 30)	30,911	–	–	–
Lease liabilities (Note 31)	1,357	1,131	3,361	3,012
	32,268	1,131	3,361	3,012

The Group recognizes the financial instruments issued to investors at fair value through profit or loss.

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.2 Fair value estimation

The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, trade and other receivables (excluding prepayments), contract assets, borrowings and trade and other payables) approximate their fair values.

The Group applies HKFRS 13 for financial instruments that are measured in the consolidated balance sheet at fair value, which requires disclosure of fair value measurements by levels of the following fair value measurement hierarchy:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price.

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

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

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets:				
Financial assets at fair value through other comprehensive income	**8,076**	**–**	**–**	**8,076**

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

There were no changes in valuation techniques during the year ended 31 December 2021 (2020: same).

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

The changes in level 3 instruments for the years ended 31 December 2021 and 2020 are presented in Note 19.

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.2 Fair value estimation *(cont'd)*

Fair value of the Group's investment properties has been disclosed in Note 16. The fair value is within level 3 of the fair value hierarchy.

3.3 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to maintain an optimal capital structure to reduce the cost of capital and provide returns for shareholders if the operation turns to profit. In order to maintain or adjust the capital structure, the Group may issue shares, obtain borrowings from bank and dispose assets in order to repay or refill operation capital, adjust the amount of dividends and return capital to shareholders, to maintain or adjust the capital structure, but not limited to the above.

The Group monitors capital on the basis of the net debt equity ratio. This ratio is calculated as "net debt" divided by "total equity". Net debt is calculated as total borrowings less cash and cash equivalents. The net debt equity ratios as of 31 December 2021 and 2020 were as follows:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Borrowings	**205,966**	–
Lease liabilities	**2,599**	7,406
Less: Cash and cash equivalents	**(152,805)**	(225,533)
Net debts/(cash)	**55,760**	(218,127)
Total equity	**335,091**	582,357
Net debt to equity ratio	**17%**	N/A

The increase in net debt to equity ratio as at 31 December 2021 was attributable to borrowings obtained for daily operation and construction projects.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(cont'd)*

(a) Assessment of impairment indicators of property, plant and equipment

At the end of each reporting period, the Group assesses whether there is any indication that the Group's property, plant and equipment may be impaired. To determine whether an impairment indicator exist, management considers both internal and external source of information, including the plan and progress of the research and development projects and the prospect of the technology. If any such indication exists, the Group will estimate the recoverable amount of the asset. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

(b) Research and development expenses

Development costs incurred on the Group's drug product pipelines are capitalized 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 costs which do not meet these criteria are expensed when incurred. Determining the amounts to be capitalized requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. During the year, all expenses incurred for research and development activities were regarded as research expenses and therefore were expensed when incurred.

(c) Useful life of fixed assets

The management of the Group determines the estimated useful lives of fixed assets. This estimate is based on experience with the actual useful lives of fixed assets of similar nature and function. This estimate may change significantly due to technological innovation or competitors taking action against severe industry cycles.

Management will increase the depreciation rate for assets with shorter useful lives than previously estimated, or give up and write off technically obsolete assets, or sell non-essential assets.

(d) Recognition of share-based compensation expenses

As mentioned in Note 27, share-based compensation plans were granted to the employees and other qualifying participants. The fair value of the options and restricted shares are determined by the Black-Scholes option-pricing model and market price respectively at the grant date, and is expected to be amortized over the respective vesting period. Significant estimate on assumptions, including underlying equity value, risk free interest rate, expected volatility, dividend yield and fulfilment of R&D targets, is required to be made by the directors and third-party valuer.

5 SEGMENT AND REVENUE INFORMATION

(a) Description of segments and principal activities

The Group is engaged in the research, development and licensing of self-developed biological drug. The outcome of the Group's research and development activities will be given preference to be used by the Group for its own commercialization. There is one team managing and operating all revenue streams. Accordingly, management considers there is only one segment and hence no segment information is presented.

(b) The amount of each category of revenue is as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Timing of revenue recognition		
At a point in time:		
– CDMO/CMO	**9,003**	–
– Commission revenue	**8,673**	14,703
– Revenue from license granted	**5,943**	–
– Sales of goods	**6,129**	521
– Others	**96**	45
Over time:		
– CDMO/CMO	**44,687**	6,423
– Others	**1,794**	799
	76,325	22,491

(c) The following table presents the analysis of contract assets and contract liabilities related to the above-mentioned arrangements.

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Contract assets:		
– CDMO/CMO (i)	**11,210**	22
– Sales commission	**742**	880
Contract liabilities		
– CDMO/CMO (ii)	**(22,199)**	(9,104)
	(10,247)	(8,202)

(i) Contract assets have increased as the Group has provided more services ahead of the agreed payment schedules.

(ii) Contract liabilities arise from CDMO/CMO which are recognized when the payments are received before the services are rendered to customers.

5 SEGMENT AND REVENUE INFORMATION *(cont'd)*

(d) Revenue recognized in relation to contract liabilities

The following table shows how much of the revenue recognized in the current reporting period relates to carried-forward contract liabilities.

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Revenue recognized that was included in the balance of contract liabilities at the beginning of the year – Service revenue-CDMO/CMO	**5,684**	2,593

(e) Unfulfilled long-term contracts

In January 2017, the Group entered into an agreement with a pharmaceutical company for licensing one of its bio-pharmaceutical know-how (the "product") to the customer for development and commercialization for a period of 10 years.

The license contract includes an upfront fee of RMB8,400,000 (including tax) and development milestone payments of RMB48,100,000 (including tax) in aggregate. The contract also includes license-granted fee and sales-based royalty. The Company has received the upfront payment and first development milestone payment of RMB8,400,000 (including tax) during the year ended 31 December 2017. For the year ended 31 December 2021, the second development milestone of RMB6,300,000 (including tax) was achieved (For the year ended 31 December 2020: Nil). The Company is entitled to receive up to an aggregate of RMB33,400,000 (including tax) upon the achievement of additional specified milestones related to the development and regulatory approval of the product.

Contract duration of CDMO/CMO services are generally for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(f) Geographical information

Geographical information of revenue and non-current assets other than financial assets for the years ended 31 December 2021 and 2020 is as follows:

	Year ended 31 December			
	2021		2020	
	Revenue RMB'000	**Non-current assets RMB'000**	Revenue RMB'000	Non-current assets RMB'000
Mainland China	**70,442**	**389,062**	22,491	314,275
Others	**5,883**	**458**	–	478
	76,325	**389,520**	22,491	314,753

5 SEGMENT AND REVENUE INFORMATION *(cont'd)*

(g) Information about major customers

The major customers which contributed more than 10% of the total revenue of the Group for the years ended 31 December 2021 and 2020 are listed as below:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Customer A	**21,006**	–
Customer B	**18,478**	–
Customer C	**8,673**	14,703
Customer D	**7,737**	799
Total	**55,894**	15,502

6 EXPENSES BY NATURE

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Employee benefit expenses (Note 7)	**129,518**	106,382
Clinical trials (exclude employee benefit expenses)	**66,287**	74,915
Amortization and depreciation (Notes 15, 16, 17 and 18)	**34,237**	32,082
R&D materials and consumables	**26,946**	31,331
Raw materials used for CDMO and CMO service	**23,777**	1,325
Utilities	**14,743**	12,943
Repairs and maintenance expenses	**9,343**	8,614
Professional services	**9,991**	8,318
Pre-clinical trials	**3,841**	6,333
Auditor's remuneration		
– audit service	**2,825**	2,825
– non-audit service	**250**	250
Travelling expenses	**2,719**	2,160
Other third-party research contracting costs	**2,289**	8,967
Other taxes	**1,489**	1,561
Promotion and advertisement expenses	**1,224**	1,360
Marketing and business development expenses	**1,169**	1,941
Other expenses	**12,087**	13,658
Total cost of revenue, research and development expenses, selling expenses and general and administrative expenses	**342,735**	314,965

7 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS)

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Salaries, wages and bonuses	**106,405**	80,953
Housing fund, medical insurance and other social insurance	**8,005**	5,089
Contributions to pension plans (a)	**7,271**	2,014
Share-based compensation expenses (Note 27)	**5,296**	15,832
Other welfare for employees	**2,541**	2,494
	129,518	106,382

(a) The employees of the Group in the PRC are members of a state-managed pension scheme operated by the PRC Government. The Group is required to contribute a specified percentage of payroll costs as determined by local government authority to the pension obligations to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contribution under the scheme.

TOT Taipei has established a defined contribution pension plan under the Labour Pension Act, covering all regular Taiwan employees. Under the plan, the Group contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labour Insurance. The only obligation of the Group with respect to the defined contribution pension plan is to make the specified contribution under the plan.

8 DIRECTORS' AND OTHER SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' and chief executive's emoluments

Directors and chief executives' emoluments for the years ended 31 December 2021 and 2020 are set out as follows:

	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Employer's social security costs RMB'000	Share-based compensation expenses RMB'000	Total RMB'000
Year ended 31 December 2021						
Chairman of the Board						
Mr. Fu, Shan	–	–	–	–	–	–
Non-executive directors						
Mr. Kung, Frank Fang-Chien	–	–	–	–	–	–
Mr. Kang, Pei	–	–	–	–	–	–
Mr. Qiu, Yu Min	–	–	–	–	–	–
Mr. Chang, Hong-Jen	–	193	–	–	–	193
Ms. Hu, Lan	–	193	–	–	–	193
Mr. Sun, Lijun Richard	–	193	–	–	–	193
Executive directors						
Dr. Liu, Jun (Note 1)	–	2,132	74	70	1,166	3,442
Ms. Yeh-Huang, Chun-Ying (Note 2)	–	2,506	–	10	659	3,175
	–	5,217	74	80	1,825	7,196

8 DIRECTORS' AND OTHER SENIOR MANAGEMENT'S EMOLUMENTS *(cont'd)*

(a) Directors' and chief executive's emoluments *(cont'd)*

	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Employer's social security costs RMB'000	Share-based compensation expenses RMB'000	Total RMB'000
Year ended 31 December 2020						
Chairman of the Board						
Mr. Fu, Shan	–	–	–	–	–	–
Non-executive directors						
Mr. Kung, Frank Fang-Chien	–	–	–	–	–	–
Mr. Kang, Pei	–	–	–	–	–	–
Mr. Qiu, Yu Min	–	–	–	–	–	–
Mr. Chang, Hong-Jen	–	207	–	–	–	207
Ms. Hu, Lan	–	207	–	–	–	207
Mr. Sun, Lijun Richard	–	207	–	–	–	207
Executive directors						
Dr. Liu, Jun (Note 1)	–	1,557	147	66	1,595	3,365
Ms. Yeh-Huang, Chun-Ying (Note 2)	–	2,115	–	9	1,573	3,697
	–	4,293	147	75	3,168	7,683

Note 1: Dr. Liu, Jun was appointed as the chief executive officer of the Company while he was appointed as the chief operating officer and vice general manager of the Company on 15 October 2020.

Note 2: Ms. Yeh-Huang, Chun-Ying was appointed as vice chairman of the Board while she resigned as the general manager of the Company on 15 October 2020. Ms. Yeh-Huang, Chun-Ying will continue to act as executive director of the Company.

(b) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year (2020: Nil).

(c) Consideration provided to third parties for making available directors' services

During the year, the Company did not pay consideration to any third parties for making available directors' services (2020: Nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, bodies corporate controlled by or entities connected with directors

There were no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the year (2020: Nil).

8 DIRECTORS' AND OTHER SENIOR MANAGEMENT'S EMOLUMENTS *(cont'd)*

(e) Inducement or waiver of emoluments

During the year, no directors received emoluments from the Group as inducement to join or upon joining the Group or as compensation for loss of office, and no directors waived or had agreed to waive any emoluments (2020: Nil).

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year (2020: Nil).

(g) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include two directors (2020: two directors) for the year ended 31 December 2021. Their emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three individuals (2020: three individuals) during the year are as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Salaries, wages and bonuses	**5,093**	4,163
Social security costs	**318**	202
Share-based compensation expenses	**1,650**	3,344
	7,061	7,709

The emoluments of the top five highest paid individuals fell within the following bands:

	Year ended 31 December	
	2021	2020
Emoluments bands		
HKD2,000,000 to HKD2,500,000	**1**	1
HKD2,500,000 to HKD3,000,000	**1**	1
HKD3,000,000 to HKD3,500,000	**1**	1
HKD3,500,000 to HKD4,000,000	**1**	1
HKD4,000,000 to HKD4,500,000	**1**	1
	5	5

9 OTHER INCOME

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Rental income of investment properties	**90**	–
Others	**77**	–
	167	–

10 OTHER GAINS – NET

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Government grants (Note)	**10,956**	2,736
Net foreign exchange gains – net	**1,244**	324
(Losses)/gains on disposals of property, plant and equipment	**(5,487)**	221
Fair value gain on wealth management products at fair value through profit or loss	**–**	2,210
Donations	**(265)**	(2,083)
Others	**95**	394
	6,543	3,802

Note: There are no unfulfilled conditions or other contingencies attaching to these grants.

11 FINANCE (COSTS)/INCOME – NET

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Finance income		
– Interest income on bank deposits	**969**	1,880
Finance costs		
– Interest expenses on bank borrowings	**(2,239)**	(1,185)
– Interest expenses on lease liabilities	**(229)**	(521)
	(2,468)	(1,706)
	(1,499)	174

12 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investment in jointly controlled entities

	Year ended 31 December 2021 RMB'000
Share of net assets, unlisted	**1,483**
As at 1 January	**–**
Additions	**1,500**
Share of loss for the year	**(17)**
As at 31 December	**1,483**

The particulars of the joint venture of the Company at 31 December 2021, which is unlisted, are set out as follows:

Company name	Place of incorporation	Registered capital	Issued and fully paid capital	Attributable equity interest to the Group as at 31 December 2021	Principle activities
Huayao Pharmaceutical (Suzhou) Company Limited. ("Huayao Suzhou")	Suzhou	RMB50,000,000	RMB1,500,000	**65.80%**	Pharmaceutical technology promotion and application service

Huayao Suzhou is a private company and there are no quoted market prices available for their shares.

Since the decisions of the shareholder meeting require get the approval over 90% of voting rights of Huayao Suzhou' shareholders, and decisions of the board of directors require unanimous approval of directors from all shareholders, Huayao Suzhou was accounted for as a jointly controlled entity by the Group.

12 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(cont'd)*

Investment in jointly controlled entities *(cont'd)*

Set out below are the summarised financial information for the Group's jointly controlled entity which is accounted for using the equity method:

Huayao Suzhou:

Summarised balance sheet

	As at 31 December 2021 RMB'000
Current	
Total current assets	**1,284**
Total current liabilities	**–**
Non-current	
Total non-current assets	**180**
Total non-current liabilities	**–**
Net assets	**1,464**

Summarised statement of comprehensive loss

	For the period from 23 November 2021 (date of incorporation) to 31 December 2021 RMB'000
Revenue	**–**
Loss before income tax expense	**(36)**
Income tax expense	**–**
Loss for the period	**(36)**
Share of net loss of the joint venture accounted for using the equity method	**(17)**

13 INCOME TAX EXPENSE

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

(a) Hong Kong

No provision for Hong Kong profits tax has been provided for at the rate of 16.5% (2020: 16.5%) as the Company has no estimated assessable profit.

(b) Mainland China

No provision for Mainland China income tax has been provided for at the rate of 25% or 15% (2020: 25% or 15%) pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the "CIT Law"), as the Group's PRC entities have no estimated assessable profit.

TOT BIOPHARM Co., Ltd. ("TOT Suzhou") was qualified as a "High and New Technology Enterprise" under the relevant PRC laws and regulations from 2020 to 2022. Accordingly, TOT Suzhou was entitled to a preferential income tax rate of 15% commencing from 2020 to 2022.

(c) Taiwan corporate income tax

No provision for Taiwan corporate income tax has been provided for at the rate of 20% (2020: 20%) as the Group's Taiwan subsidiary has no estimated assessable profit.

(d) The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the statutory tax rate applicable to loss of the consolidated entities as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Loss before income tax	**(261,216)**	(288,498)
Tax calculated at statutory tax rates applicable to each Group entity	**(64,944)**	(71,251)
Tax effect of:		
Preferential tax rate of certain subsidiary	**34,987**	36,344
Expenses not deductible for tax purposes	**1,834**	5,670
Additional deduction of research and development	**(26,047)**	(27,827)
Tax loss not recognized as deferred tax assets	**54,170**	57,064
Income tax expense	**–**	–

13 INCOME TAX EXPENSE *(cont'd)*

(e) Deferred tax assets not recognized:

The Group has not recognized any deferred tax assets in respect of the following items:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Deductible losses	**1,707,250**	1,349,140
Deductible temporary differences	**1,726**	1,711
	1,708,976	1,350,851

(f) Deductible losses that are not recognized as deferred tax assets will be expired as follows:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
2021	**–**	2,478
2022	**3,684**	3,684
2023	**45,221**	45,221
2024	**49,487**	49,487
2025	**60,608**	60,608
2026	**85,825**	85,457
2027	**130,286**	130,286
2028	**289,901**	289,901
2029	**297,972**	297,972
2030	**384,046**	384,046
2031	**360,220**	–
	1,707,250	1,349,140

Note: The tax losses of the Company's PRC subsidiaries will expire within five years (except for TOT Suzhou which will expire within ten years for High and New Technology Enterprise) while the tax losses of the Company's Taiwan subsidiary will expire within 10 years.

14 LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss of the Group attributable to owners of the Company by weighted average number of ordinary shares issued during the year.

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Loss attributable to equity holders of the Company (RMB'000)	**(261,216)**	(288,498)
Weighted average number of ordinary shares in issue (thousand)	**573,360**	570,334
Basic loss per share (RMB)	**(0.46)**	(0.51)

(b) Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the year ended 31 December 2021, the Company had one category of potential ordinary shares: the stock options granted to employees (Note 27) (2020: same). As the Group incurred losses for the years ended 31 December 2021 and 2020, the potential ordinary shares have not been included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the years ended 31 December 2021 and 2020 is the same as basic loss per share of the respective years.

15 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and equipment RMB'000	Machinery RMB'000	Testing equipment RMB'000	Others RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2021							
Cost	150,549	46,250	52,911	92,187	17,121	45,549	404,567
Accumulated depreciation	(51,309)	(12,455)	(11,441)	(32,435)	(6,560)	–	(114,200)
Net book amount	99,240	33,795	41,470	59,752	10,561	45,549	290,367
Year ended 31 December 2021							
Opening net book amount	99,240	33,795	41,470	59,752	10,561	45,549	290,367
Additions	46	1,159	2,638	8,611	9,444	35,747	57,645
Disposals	(5,374)	(3)	(69)	(31)	(28)	–	(5,505)
Transfers	1,106	–	8,285	4,149	1,779	(15,319)	–
Transfer to investment properties (Note 16)	(3,644)	–	–	–	(19)	–	(3,663)
Depreciation charge (Note 6)	(8,126)	(4,532)	(5,760)	(9,129)	(3,626)	–	(31,173)
Net exchange differences	–	–	(3)	–	–	–	(3)
Closing net book amount	83,248	30,419	46,561	63,352	18,111	65,977	307,668
At 31 December 2021							
Cost	119,737	47,404	63,499	104,782	28,041	65,977	429,440
Accumulated depreciation	(36,489)	(16,985)	(16,938)	(41,430)	(9,930)	–	(121,772)
Net book amount	83,248	30,419	46,561	63,352	18,111	65,977	307,668
At 1 January 2020							
Cost	148,470	45,870	31,064	86,935	14,207	59,696	386,242
Accumulated depreciation	(41,253)	(7,997)	(8,027)	(24,604)	(4,131)	–	(86,012)
Net book amount	107,217	37,873	23,037	62,331	10,076	59,696	300,230
Year ended 31 December 2020							
Opening net book amount	107,217	37,873	23,037	62,331	10,076	59,696	300,230
Additions	1,354	381	2,414	4,128	2,141	8,770	19,188
Disposals	–	–	–	(108)	(29)	–	(137)
Transfers	723	–	19,433	1,833	928	(22,917)	–
Depreciation charge (Note 6)	(10,054)	(4,459)	(3,414)	(8,432)	(2,555)	–	(28,914)
Closing net book amount	99,240	33,795	41,470	59,752	10,561	45,549	290,367
At 31 December 2020							
Cost	150,549	46,250	52,911	92,187	17,121	45,549	404,567
Accumulated depreciation	(51,309)	(12,455)	(11,441)	(32,435)	(6,560)	–	(114,200)
Net book amount	99,240	33,795	41,470	59,752	10,561	45,549	290,367

15 PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

(a) Depreciation charges have been charged to the consolidated statement of comprehensive loss as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Research and development expenses	**27,547**	26,297
Cost of sales	**2,089**	671
General and administrative expenses	**1,518**	1,925
Selling expenses	**19**	21
	31,173	28,914

(b) Prepayments for property, plant and equipment amounted to RMB55,759,000 (2020: RMB416,000) as at 31 December 2021. During the year, RMB416,000 (2020: RMB7,568,000) was transferred from prepayments for property, plant and equipment to testing equipment, machinery and construction in progress.

(c) Borrowing costs of about RMB865,000 have been capitalized in the year ended 31 December 2021 (2020: Nil).

16 INVESTMENT PROPERTIES

Investment properties are primarily located in the PRC with estimated useful lives within 50 years.

The movement of investment properties is analysed as follows:

	Year ended 31 December 2021 RMB'000
Cost	**8,409**
Accumulated depreciation	**(4,826)**
Net book amount	**3,583**
Opening net book amount	**–**
Transfer from property, plant and equipment (Note 15)	**3,663**
Depreciation (Note 6)	**(80)**
Closing net book amount	**3,583**

16 INVESTMENT PROPERTIES *(cont'd)*

As at 31 December 2021, the fair values of the investment properties were approximately RMB8,100,000 (2020: Nil). These estimates are made by the directors with reference to market transacted prices for similar properties in the vicinity of the relevant properties.

(a) Lease rental income relating to the lease of investment properties has been included in the consolidated statement of comprehensive loss as follows:

	Year ended 31 December 2021 RMB'000
Rental income	**90**

(b) Leasing arrangements

The investment properties are leased to tenants under operating leases with rentals payable monthly. Lease payments for some contracts include CPI increases, but there are no other variable lease payments that depend on an index or rate. Where considered necessary to reduce credit risk, the Group may obtain bank guarantees for the term of the lease.

(c) Depreciation of investment properties has been charged to the consolidated statement of comprehensive loss as follows:

	Year ended 31 December 2021 RMB'000
Direct operating expenses from investment properties that generated rental income	**80**

17 INTANGIBLE ASSETS

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Software		
Cost	**8,584**	5,554
Accumulated amortization	**(3,461)**	(2,325)
Net book amount	**5,123**	3,229
Opening net book amount	**3,229**	2,391
Additions	**3,030**	1,694
Amortization charge (Note 6)	**(1,136)**	(856)
Closing net book amount	**5,123**	3,229

Amortization charge has been charged to the consolidated statement of comprehensive loss as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
General and administrative expenses	**1,136**	856

18 RIGHT-OF-USE ASSETS

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Land use rights	**13,328**	13,674
Others	**2,405**	6,965
	15,733	20,639

18 RIGHT-OF-USE ASSETS *(cont'd)*

(a) Land use rights

The Group's interests in land use rights represent prepaid operating lease payments for land located in the PRC and the lease term is 50 years. The net book amount of which is analysed as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Cost	**17,273**	17,273
Accumulated amortization	**(3,945)**	(3,599)
Net book amount	**13,328**	13,674
Opening net book amount	**13,674**	14,020
Amortization charges (Note 6)	**(346)**	(346)
Closing net book amount	**13,328**	13,674

Amortization charge has been charged to the consolidated statement of comprehensive loss as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Research and development expenses	**307**	307
General and administrative expenses	**39**	39
	346	346

18 RIGHT-OF-USE ASSETS *(cont'd)*

(b) Others

The Group leases properties for own use. Information about leases for which the Group is a lessee is presented below:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Cost	**3,212**	11,654
Accumulated depreciation	**(807)**	(4,689)
Net book amount	**2,405**	6,965
Opening net book amount	**6,965**	14,415
Additions	**3,458**	1,188
Termination	**(6,516)**	(6,679)
Depreciation charge (Note 6)	**(1,502)**	(1,966)
Net exchange differences	**–**	7
Closing net book amount	**2,405**	6,965

The consolidated statement of comprehensive loss and the consolidated statement of cash flows contain the following amounts relating to leases:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Depreciation and amortization charge of right-of-use assets	**1,848**	2,312
Interest expenses	**229**	521
Expenses relating to short-term leases	**742**	270
The cash outflow for leases as operating activities	**742**	270
The cash outflow for leases as financing activities	**1,494**	1,707

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Listed securities – Lumosa Therapeutics Co., Ltd.		
Opening balance	**8,076**	7,991
Changes in the fair value of equity instruments at fair value through other comprehensive income	**326**	85
Disposal	**(8,402)**	–
Closing balance	**–**	8,076

On 7 December 2021, the Group has sold its shares in Lumosa Therapeutics Co., Ltd. to Center Laboratories Inc. with a fair value of RMB8,402,000 with cash received.

20 INVENTORIES

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Raw materials	**16,312**	807
Work in progress	**5,080**	–
Consumables	**4,485**	7,141
Finished goods	**3,681**	166
	29,558	8,114

During the year, the Group has carried out regular reviews of the carrying amounts of inventories with reference to aged inventories analysis, expected future consumption, physical condition and management judgement. As a result, inventories of RMB181,000 have been written off (2020: RMB84,000).

21 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Trade receivables	**11,735**	1,536
Other receivables	**3,297**	4,315
Trade and other receivables	**15,032**	5,851

(a) Trade receivables

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Trade receivables	**11,735**	1,536

Customers are generally granted with credit terms ranging from 15 to 60 days.

As of 31 December 2021 and 2020, the ageing analysis of the trade receivables based on invoice date is as follows:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Within 30 days	**1,336**	1,218
31 days to 90 days	**10,399**	318
	11,735	1,536

As at 31 December 2021, the carrying amounts of the Group's trade receivables are denominated in RMB and approximate to their fair values (2020: same).

The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables mentioned above.

21 TRADE AND OTHER RECEIVABLES *(cont'd)*

(b) Other receivables

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Deposits	**2,577**	2,598
Others	**720**	1,717
Other receivables	**3,297**	4,315

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
RMB	**14,556**	5,105
USD	**473**	729
HKD	**3**	3
NTD	**–**	14
	15,032	5,851

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

The carrying amounts of the Group's other receivables approximate to their fair values.

22 PREPAYMENTS AND OTHER CURRENT AND NON-CURRENT ASSETS

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Prepayments – current		
Prepayments for consumables	**11,291**	5,228
Prepaid research expenses	**2,922**	–
Others	**2,541**	3,599
	16,754	8,827
Other current assets		
Value-added tax recoverable	**79,195**	–
Right to returned goods (Note 30)	**667**	–
	79,862	–
Other non-current assets		
Deposits (Note (i))	**14,780**	4,614
Value-added tax recoverable	**–**	64,513
Others	**171**	102
	14,951	69,229
	111,567	78,056

Note (i) Deposits are mainly paid for entering into exclusive distribution agreements with certain pharmaceutical companies. As at 31 December 2021, the Group has paid deposits of RMB10,166,000 (2020: RMB4,614,000).

23 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Cash at bank and on hand	**152,805**	225,533

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Cash on hand		
– NTD	**4**	5
Cash at bank		
– RMB	**112,405**	165,494
– USD	**21,099**	6,503
– HKD	**15,211**	42,780
– NTD	**3,850**	10,751
– EUR	**236**	–
	152,805	225,533

24 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Assets		
Financial assets at fair value:		
– Financial assets at fair value through other comprehensive income (Note 19)	**–**	8,076
Financial assets at amortized costs:		
– Deposits (Note 22)	**14,780**	4,614
– Trade receivables and other receivables (Note 21)	**15,032**	5,851
– Cash and cash equivalents (Note 23)	**152,805**	225,533
Total	**182,617**	244,074
Liabilities		
Financial liabilities at amortized cost		
– Other payables (Note 30)	**60,641**	30,911
– Borrowings – current (Note 29)	**146,191**	–
– Borrowings – non-current (Note 29)	**59,775**	–
Lease liabilities at amortized cost – current (Note 31)	**1,463**	1,323
Lease liabilities at amortized cost – non-current (Note 31)	**1,136**	6,083
Total	**269,206**	38,317

25 SHARE CAPITAL

Issued:

	Number of ordinary shares	Share capital RMB'000
As at 1 January 2020 and 31 December 2020 (Note(a))	570,000,000	1,874,438
Issue of shares for 2020 Restricted Share Award Scheme (Note (a))	30,466,697	–
As at 31 December 2020	600,466,697	1,874,438
As at 1 January 2021	**600,466,697**	**1,874,438**
Issue of shares upon exercise of share options (Note (b))	**1,062,800**	**3,249**
Increase in share capital upon receipt of the grant consideration under 2020 Restricted Share Award Scheme (Note (c))	**–**	**15,219**
Issue of shares for 2021 Restricted Share Award Scheme (Note (d))	**13,700,000**	**–**
As at 31 December 2021 (Note (d))	**615,229,497**	**1,892,906**

Note (a) On 28 December 2020, the Company allotted and issued 30,466,697 ordinary shares ("award shares") to certain trustees at a subscription price of zero under the Company's Restricted Share Award Scheme ("2020 Restricted Share Award Scheme"). These award shares are within the Company's control until the shares are vested to the participants and hence are considered as treasury shares in substance.

Note (b) A total of 1,062,800 ordinary shares were issued from March to May 2021 pursuant to the Company's Stock Option Plans at an exercise price of approximately USD0.29 per ordinary share. Upon the aforesaid exercise of share options, share-based compensation reserve of RMB1,259,000 was transferred to share capital.

Note (c) During March to May 2021, award shares representing a total of 4,134,139 ordinary shares were vested to certain participants of the Company's 2020 Restricted Share Award Scheme at a grant consideration of approximately USD0.29 per ordinary share. Upon the aforesaid vesting of award shares, share-based compensation reserve of RMB7,599,000 was transferred to share capital.

Note (d) On 23 December 2021, the Company allotted and issued 13,700,000 ordinary shares to certain trustees at a subscription price of zero under the Company's 2021 Restricted Share Award Scheme. These award shares are within the Company's control until the shares are vested to the participants and hence are considered as treasury shares in substance.

As at 31 December 2021, a total of 40,032,558 ordinary shares are within the Company's control until the shares are vested to the participants and hence are considered as treasury shares in substance.

26 OTHER RESERVES

	Share-based compensation reserve (i) RMB'000	Foreign currency translation reserve (ii) RMB'000	Gain from investments in equity instruments measured at fair value through other comprehensive income RMB'000	Total RMB'000
At 1 January 2021	**61,424**	**(18,783)**	**6,862**	**49,503**
Share-based compensation expense (Note 27)	**5,296**	**–**	**–**	**5,296**
Issue of shares upon exercise of share options	**(1,259)**	**–**	**–**	**(1,259)**
Increase in share capital upon receipt of the grant consideration under 2020 Restricted Share Award Scheme	**(7,599)**	**–**	**–**	**(7,599)**
Currency translation differences	**–**	**(1,282)**	**–**	**(1,282)**
Gain from investments in equity instruments measured at fair value through other comprehensive income	**–**	**–**	**326**	**326**
Disposal of investments in equity instruments measured at fair value through other comprehensive income	**–**	**–**	**(7,188)**	**(7,188)**
At 31 December 2021	**57,862**	**(20,065)**	**–**	**37,797**
At 1 January 2020	45,592	(15,444)	6,777	36,925
Share-based compensation expense (Note 27)	15,832	–	–	15,832
Currency translation differences	–	(3,339)	–	(3,339)
Gain from investments in equity instruments measured at fair value through other comprehensive income (Note 19)	–	–	85	85
At 31 December 2020	61,424	(18,783)	6,862	49,503

(i) Share-based compensation reserve arises from share-based payments granted to employees of the Group.

(ii) Foreign currency translation reserve represents the difference arising from the translation of financial statements of companies within the Group that have a functional currency different from the presentation currency of RMB for the financial statements of the Group.

27 SHARE-BASED PAYMENTS

(a) Stock options and restricted shares granted

On 20 February 2013, the board of directors passed a resolution to grant 3,300,000 stock options (the "2013 Plan") to certain directors and senior management of the Group as rewards for their services, full time devotion and professional expertise to certain of the Group's subsidiaries. The exercise price of the options is USD1.00 per ordinary share. All options shall expire in ten years from the respective grant dates. The details of the vesting conditions are set out in note (b) below.

On 11 December 2017, the board of directors passed a resolution to (i) amend the vesting conditions of the grants under the 2013 plan and (ii) grant an additional 9,300,000 stock options (the "2017 Plan") to certain directors, senior management and other employees of the Group, as rewards for their services to certain of the Group's subsidiaries. The exercise price of the options is USD1.00 per ordinary share. All options shall expire in ten years from the respective grant dates. The details of the vesting conditions are set out in note (b) below.

On 20 December 2018, the board of directors passed a resolution to grant 2,300,000 stock options (the "2018 Plan") to certain directors and senior management of the Group, as rewards for their services to certain of the Group's subsidiaries. The exercise price of the options is USD1.00 per ordinary share. All options shall expire in ten years from the respective grant dates. The details of the vesting conditions are set out in note (b) below.

On 8 November 2019, pursuant to the resolution passed by the shareholders on 30 September 2019, 342,557,624 shares were allotted and issued without payment and as fully paid shares to existing shareholders ("Capitalization Issue"). As a result of the capitalization issue, the exercise price of the outstanding share options under the 2013 Plan, 2017 Plan and 2018 Plan (together, the "Stock Option Plans") had been modified from USD1.00 per share to USD0.29 per share pursuant to the terms of the Stock Option Plans. The modification to the Stock Option Plans did not result in any incremental fair value granted.

In December 2020, a total of 30,466,697 restricted shares were issued and allotted to stock option holders of the Stock Option Plans whose outstanding stock options had been diluted as a result of the said capitalization issue("2020 Restricted Share Award Scheme").

On 23 December 2021, the board of directors passed a resolution to grant 13,700,000 shares under the 2021 Restricted Share Award Scheme to certain employees of the Group, as rewards for their services to certain of the Group's subsidiaries. The exercise price of the restricted shares is HKD0.6. All restricted shares shall expire in ten years from the respective grant dates. The details of the vesting conditions are set out in note (b) below.

(b) Employee stock options

(i) The Group's employee stock options arrangements are as follows:

Type of arrangement	Grant date	Contract period	Vesting conditions
Employee stock options – 2013	2013.2	10 years	(Note i)
Employee stock options – 2017	2017.12-2018.7	10 years	(Note ii)
Employee stock options – 2018	2019.1-2019.2	10 years	(Note iii)
Employee stock options – 2018	2019.1	10 years	(Note iv)

i) The options are vested at different rates conditional on a service period of 2 years and achievement of certain performance condition.

On 11 December 2017, the board of directors passed a resolution to amend the vesting condition of share options granted under the 2013 plan. Such share options were 100% vested immediately.

27 SHARE-BASED PAYMENTS *(cont'd)*

(b) Employee stock options *(cont'd)*

(i) The Group's employee stock options arrangements are as follows: (cont'd)

ii) Options are vested at different rates according to years worked as of 31 December 2017. The rates are shown as follows:

Years worked as of 31 December 2017	Vesting rates					
	1st year	2nd year	3rd year	4th year	5th year	6th year
Within 3 years	5%	10%	15%	20%	25%	25%
Between 3 and 4 years	10%	15%	20%	25%	30%	–
Between 4 and 5 years	15%	20%	20%	20%	25%	–
Over 5 years	25%	25%	25%	25%	–	–

iii) Options are vested at different rates according to years worked as of 31 December 2018. The rates are shown as follows:

Years worked as of 31 December 2018	Vesting rates					
	1st year	2nd year	3rd year	4th year	5th year	6th year
Within 3 years	5%	10%	15%	20%	25%	25%
Between 3 and 4 years	10%	15%	20%	25%	30%	–
Between 4 and 5 years	15%	20%	20%	20%	25%	–
Over 5 years	25%	25%	25%	25%	–	–

iv) The options are vested at different rates conditional on achievement of certain performance conditions.

(ii) Set out below are summaries of options granted:

	Year ended 31 December			
	2021		2020	
	Average exercise price per stock option (in USD)	Number of share options (thousand shares)	Average exercise price per stock option (in USD)	Number of share Options (thousand shares)
As at beginning of the year	**USD0.29**	**12,074**	USD0.29	12,623
Exercise of share options	**USD0.29**	**(1,063)**	–	–
Forfeited during the year	**USD0.29**	**(1,156)**	USD0.29	(549)
As at year end	**USD0.29**	**9,855**	USD0.29	12,074
Vested and exercisable at end of year	**USD0.29**	**5,115**	USD0.29	4,444

There were no options expired during the current year (2020: same).

27 SHARE-BASED PAYMENTS *(cont'd)*

(c) Restricted share award scheme

(i) The Group's employee restricted share award scheme is as follows:

Type of arrangement	Grant date	Contract period	Vesting conditions
Employee restricted shares – 2020	2020.05	10 years	(Note 27(b)(i))
Employee restricted shares – 2021	2021.12	10 years	(Note i)

i) The restricted shares are vested in tranches conditional on achievement of certain performance conditions.

(ii) Set out below are summaries of restricted shares granted:

	Year ended 31 December			
	2021		2020	
	Average exercise price per restricted shares (in USD)	Number of restricted shares (thousand shares)	Average exercise price per restricted shares (in USD)	Number of restricted shares (thousand shares)
As at beginning of the year	**USD0.29**	**30,093**	–	–
Granted during the year	**USD0.08**	**13,700**	USD0.29	30,467
Exercise of restricted shares	**USD0.29**	**(4,134)**	–	–
Forfeited during the year	**USD0.29**	**(2,923)**	USD0.29	(374)
As at year end	**USD0.21**	**36,736**	USD0.29	30,093
Vested and exercisable at end of year	**USD0.29**	**10,539**	USD0.29	11,076

There were no restricted shares expired during current the year (2020: Nil).

27 SHARE-BASED PAYMENTS *(cont'd)*

(d) The fair value of the stock options granted have been valued by an independent qualified valuer using binomial option-pricing model for 2013 Plan, 2017 Plan and 2018 Plan as at the grant date. Key assumptions are set as below:

	2013 Plan	2017 Plan	2018 Plan
Risk-free interest rate	0.7725%	3.6306%-4.0004%	3.2260%-3.2634%
Expected term-year	8.3	6.66-6.84	7.27-7.36
Expected volatility	25.22%	39.98%-42.22%	40.39%
Grant date option fair value per share	NTD0.365	USD0.967-USD1.258	USD1.028-USD1.237
Exercise price	USD1.00	USD1.00	USD1.00

(e) The fair value of the restricted shares for 2021 Restricted Share Award Scheme

As at the grant date, market price per share is HKD3.95, the exercise price is HKD0.6 per share.

(f) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognized during the year ended 31 December 2021 as part of employee benefit expense are RMB5,296,000 (2020: RMB15,832,000).

28 DIVIDEND

No dividend has been paid or declared by the Company or the companies now comprising the Group during the year (2020: Nil).

29 BORROWINGS

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Current		
– Unsecured bank borrowings (Note (a))	**146,191**	–
Non-current		
– Unsecured bank borrowings (Note (b))	**59,775**	–
	205,966	–

Note (a): Bank loans of RMB146,191,000 are unsecured, will be repayable in 2022 and bear annual interest rate ranging from 1.68% to 3.95%.

Note (b): Bank loans of RMB59,775,000 are unsecured, will be repayable in 2024 and 2025 and bear annual interest rate of 4.25% with undrawn facilities up to RMB120,225,000 for specific use on construction of plant, production line and equipment.

29 BORROWINGS *(cont'd)*

As at 31 December 2021 and 31 December 2020, the Group's bank borrowings were repayable as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Within 1 year	**146,191**	–
Between 2 and 5 years	**59,775**	–
	205,966	–

The weighted average effective interest rates at each balance sheet date were as follows:

	31 December 2021	31 December 2020
Bank borrowings	**3.78%**	–

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	31 December 2021 RMB'000	31 December 2020 RMB'000
RMB	**195,876**	–
EUR	**10,090**	–
	205,966	–

The fair values of borrowings equal to their carrying amounts as the discounting impact is not significant.

As at 31 December 2021, the Group has unutilised bank facilities of RMB120,225,000 (2020: RMB150,000,000).

30 TRADE AND OTHER PAYABLES

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Trade payables	**28,214**	18,006
Staff salaries and welfare payables	**19,898**	11,405
Deposits payables (Note (i))	**10,000**	–
Payables for purchase of property, plant and equipment	**6,457**	5,752
Refund liabilities (Note (ii))	**5,699**	–
Others	**15,970**	7,153
	86,238	42,316

Note (i): In December 2020, the Group entered into an exclusive sales promotion agreement with a third party. For the year ended 31 December 2021, the Group received deposits of RMB10,000,000.

Note (ii): Where a customer has a right to return a product, the Group recognises a refund liability for the amount of consideration received for which the entity does not expect to be entitled. The Group also recognises a right to the returned goods measured by reference to the former carrying amount of the goods.

As at 31 December 2021 and 2020, the ageing analysis of trade payables based on invoice date are as follows:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Within 3 months	**27,037**	17,537
3 months to 6 months	**507**	220
6 months to 12 months	**160**	183
1 year to 2 years	**510**	66
	28,214	18,006

The Group's trade and other payables are denominated in the following currencies:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
– RMB	**81,098**	40,128
– HKD	**3,862**	–
– NTD	**638**	694
– EUR	**566**	–
– USD	**74**	1,494
	86,238	42,316

31 LEASE LIABILITIES

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Minimum lease payments due		
– Within 1 year	**1,530**	1,357
– Between 1 and 2 years	**1,000**	1,131
– Between 2 and 5 years	**198**	3,361
– Later than 5 years	**–**	3,012
	2,728	8,861
Less: future finance charges	**(129)**	(1,455)
Present value of lease liabilities	**2,599**	7,406

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Within 1 year	**1,463**	1,323
Between 1 and 2 years	**940**	1,050
Between 2 and 5 years	**196**	2,829
Later than 5 years	**–**	2,204
Present value of lease liabilities	**2,599**	7,406

The Group leases various properties and equipment and these lease liabilities were measured at net present value of the lease payments to be paid during the lease terms.

Extension options, at the Group's discretion, are included in a number of property leases across the Group.

Lease liabilities were discounted at incremental borrowing rates of the Group ranging from 4.76% to 4.90%.

For the total cash outflows for leases including payments of lease liabilities and payments of interest expenses on leases are disclosed in Note 18.

32 OTHER CURRENT AND NON-CURRENT LIABILITIES

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Current		
Deferred upfront payments (a)	**4,717**	–
Non-current		
Deferred upfront payments (a)	**42,453**	–
Government grant (b)	**11,000**	–
	53,453	–

(a) Other current and non-current liabilities contain mainly non-refundable upfront fee relating to promotion service arrangement, which will be amortized during the service period.

(b) As at 31 December 2021, government grants as reimbursement of future expenditure for expenses and equipment are subsidies received for compensating the Group's future research and development activities with regards to certain projects.

33 CASH USED IN OPERATIONS

(a) Reconciliation of loss before income tax to net cash used in operations

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Loss before income tax	**(261,216)**	(288,498)
Adjustments for:		
– Depreciation and amortization (Notes 15, 16, 17 and 18)	**34,237**	32,082
– Share-based compensation expenses (Note 27)	**5,296**	15,832
– Interest income (Note 11)	**(969)**	(1,880)
– Interest on bank borrowings (Note 11)	**2,239**	1,185
– Interest on lease liabilities (Note 11)	**229**	521
– Fair value change on financial assets at fair value through profit or loss	**–**	(2,210)
– Share of net loss of the joint venture (Note 12)	**17**	–
– Losses/(gains) on disposals of property, plant and equipment (Note 10)	**5,487**	(221)
– Gains on disposals of right-of-use assets	**(484)**	(355)
	(215,164)	(243,544)
Changes in working capital:		
– Inventories (Note 20)	**(21,444)**	7,136
– Trade receivables and other receivables	**(9,181)**	8,555
– Prepayments and other current and non-current assets	**(23,345)**	(14,653)
– Contract assets (Note 5)	**(11,050)**	1,548
– Cash paid for deposits	**(10,166)**	132
– Trade and other payables and other current and non-current liabilities (Note 30 and Note 32)	**101,149**	(28,887)
– Contract liabilities (Note 5)	**13,095**	6,511
	39,058	(19,658)
Cash used in operations	**(176,106)**	(263,202)

33 CASH USED IN OPERATIONS *(cont'd)*

(b) In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Net book amount (Note 15)	**5,505**	137
(Losses)/gains on disposal of property, plant and equipment (Note 10)	**(5,487)**	221
Proceeds from the disposal	**18**	358

(c) Changes in liabilities from financing activities:

	Short-term liabilities		**Long-term liabilities**	
	Lease Liabilities RMB'000	**Borrowings RMB'000**	**Lease Liabilities RMB'000**	**Borrowings RMB'000**
At 1 January 2021	**1,323**	**–**	**6,083**	**–**
Cash flows	**(350)**	**146,191**	**(1,144)**	**59,775**
Interest expense	**6**	**–**	**223**	**–**
Increase of right-of use assets	**1,697**	**–**	**1,761**	**–**
Disposals of right-of use assets	**(1,213)**	**–**	**(5,787)**	**–**
At 31 December 2021	**1,463**	**146,191**	**1,136**	**59,775**

	Short-term liabilities		Long-term liabilities	
	Lease Liabilities RMB'000	Borrowings RMB'000	Lease Liabilities RMB'000	Borrowings RMB'000
At 1 January 2020	2,775	60,000	12,299	–
Cash flows	(2,228)	(60,000)	–	–
Interest expense	521	–	–	–
Increase of right-of use assets	183	–	949	–
Disposals of right-of use assets	(1,417)	–	(5,617)	–
Impact of changes in foreign exchange rate	(59)	–	–	–
Other non-cash movement	1,548	–	(1,548)	–
At 31 December 2020	1,323	–	6,083	–

34 COMMITMENTS

(a) Capital commitments

Capital expenditures contracted for at each balance sheet date, but not yet incurred are as follows:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Property, plant and equipment	**155,746**	6,914

(b) Operating lease commitments

At the balance sheet dates, lease commitments of the Group for leases not yet commenced for short-term lease and low-value lease are as follows:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
No later than 1 year	**542**	154
Later than 1 year and no later than 2 years	**74**	26
Later than 2 years and no later than 5 years	**37**	–
	653	180

(c) Investment commitment

The investment of the Group to the joint venture but not yet injected is as follows:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Huayao Suzhou	**13,483**	–

35 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the years ended 31 December 2021 and 2020, and balances arising from related party transactions as at 31 December 2021 and 2020.

(a) Name and relationship with related parties

Name of related party	Nature of relationship
Center Laboratories Inc. ("Centerlab")	Entity with significant influence over the Company
Lumosa Therapeutics Co., Ltd.	Associate of Center Laboratories, Inc.
Huayao Suzhou	Joint venture of the Company

(b) Transactions with related parties

(i) Rental expenses:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Lumosa Therapeutics Co., Ltd.	**61**	53

(ii) Research contracting costs:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Centerlab	**–**	651

35 RELATED PARTY TRANSACTIONS *(cont'd)*

(b) Transactions with related parties *(cont'd)*

(iii) Sale of FVOCI:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Centerlab (Note 19)	**8,402**	–

The related party transactions above were carried out on terms mutually agreed between the parties. In the opinion of the directors of the Company, these transactions are in the ordinary courses of business of the Group and in accordance with the terms of underlying agreements.

(c) Leasing arrangements

In February 2016, the Group signed a five-year office rental contract with Centerlab, which has an option for automatic extension upon expiry of the contract. This rental contract with Centerlab was terminated in September 2021. In October 2021, the Group entered into a 15-month office rental contract with Lumosa Therapeutics Co., Ltd. in substitution. The lease terms and prices were determined in accordance with mutual agreement, and rental payments are made on a monthly basis.

(i) Acquisition of right-of-use assets:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Centerlab	**297**	–
Lumosa Therapeutics Co., Ltd.	**100**	–
	397	–

(ii) Lease liabilities:

– Outstanding balance:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Lumosa Therapeutics Co., Ltd.	**81**	–
Centerlab	**–**	52
	81	52

35 RELATED PARTY TRANSACTIONS *(cont'd)*

(c) Leasing arrangements *(cont'd)*

(iii) Rental Payment:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Centerlab	**211**	637
Lumosa Therapeutics Co., Ltd.	**21**	–
	232	637

(d) Key management compensation

Key management includes directors and senior management of the Company. The compensation paid or payable to key management for their services is shown below:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Salaries, wages and bonuses	**15,140**	11,372
Housing funds, medical insurance and other social insurance	**778**	498
Share-based compensation expenses	**6,150**	9,147
	22,068	21,017

Except for the directors mentioned in Note 8(a), the Company's other key senior management's remuneration includes salaries, wages, bonuses, housing funds, medical insurance and other social insurance and share-based compensation expenses. For the year ended 31 December 2021, the Company's other key senior management's remuneration was within the range between RMB1,000,000 to RMB3,000,000 (2020: RMB1,200,000 to RMB3,000,000).

36 SUBSIDIARIES

Particulars of the principal subsidiaries of the Group as at year ended 31 December 2021 and 2020 are set out below:

Company name	Place of registration/ incorporation and place of operations and date of incorporation	Principle activities	Effective interests held by the Group 2021	2020	Direct or Indirect
TOT BIOPHARM Co., Ltd.* (東曜藥業有限公司)	Suzhou, PRC 5 July 2010	Research and development, Manufacturing and sales of new drugs	**100%**	100%	Direct
TOT BIOPHARM Company Limited (東源國際醫藥股份有限公司)	Taipei, Taiwan 14 March 2016	Business development	**100%**	100%	Direct
Shengyang Biopharm (Hong Kong) Limited (昇洋醫藥國際有限公司)	Hong Kong 24 June 2008	Investing company	**100%**	100%	Direct
Dongyuan Biotech (Shanghai) Co., Ltd.* (東源生物醫藥科技(上海)有限公司)	Shanghai, PRC 14 April 2010	Research and development New drugs	**100%**	100%	Indirect
Jiang Su Tung Yang Biopharm Tech Co., Ltd.* (江蘇東揚醫藥科技有限公司)	Taizhou, PRC 11 February 2009	Research and development And sales of new drugs	**100%**	100%	Indirect
Yaozhan Pharmaceutical Jiangsu Co., Ltd.* (曜展醫藥江蘇有限公司)	Suzhou, PRC 13 May 2021	Marketing promotion	**100%**	Nil	Direct

* Registered as wholly foreign owned enterprises under PRC law

36 SUBSIDIARIES *(cont'd)*

Company name	Registered capital 2021	Registered capital 2020	Issued and paid up capital 2021	Issued and paid up capital 2020
TOT BIOPHARM Co., Ltd. (東曜藥業有限公司)	**USD222,450,000**	USD224,800,000	**USD222,450,000**	USD221,000,000
TOT BIOPHARM Company Limited (東源國際醫藥股份有限公司)	**NTD230,000,000**	NTD230,000,000	**NTD230,000,000**	NTD230,000,000
Shengyang Biopharm (Hong Kong) Limited (昇洋醫藥國際有限公司)	**USD5,906,415**	USD5,906,415	**USD5,906,415**	USD5,906,415
Dongyuan Biotech (Shanghai) Co., Ltd. (東源生物醫藥科技(上海)有限公司)	**USD3,730,000**	USD3,730,000	**USD3,730,000**	USD3,730,000
Jiang Su Tung Yang Biopharm Tech Co., Ltd. (江蘇東揚醫藥科技有限公司)	**USD2,000,000**	USD2,000,000	**USD2,000,000**	USD2,000,000
Yaozhan Pharmaceutical Jiangsu Co., Ltd. (曜展醫藥江蘇有限公司)	**USD2,350,000**	Nil	**USD1,900,000**	Nil

The nature of all the legal entities established in the mainland of China is limited liability company.

The English names of Taiwan and PRC companies referred to above in this note represent management's best efforts in translating the Chinese names of those companies, as no English names have been registered.

37 BALANCE SHEET OF THE COMPANY

	Note	As at 31 December 2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**1,666,710**	1,639,225
Financial assets at fair value through other comprehensive income		**–**	8,076
		1,666,710	1,647,301
Current assets			
Other receivables		**475**	1,344
Amounts due from subsidiaries		**44,045**	26,735
Prepayments		**88**	14
Cash and cash equivalents		**23,713**	51,808
		68,321	79,901
Total assets		**1,735,031**	1,727,202
EQUITY			
Share capital	25(a)	**1,892,906**	1,874,438
Other reserves		**37,021**	48,807
Accumulated losses		**(195,462)**	(198,309)
Total equity		**1,734,465**	1,724,936
LIABILITIES			
Current liabilities			
Trade and other payables		**566**	2,266
Total liabilities		**566**	2,266
Total equity and liabilities		**1,735,031**	1,727,202
Net current assets		**67,755**	77,635
Total assets less current liabilities		**1,734,465**	1,724,936

The balance sheet of the Company was approved by the Board of Directors on 24 March 2022 and was signed on its behalf.

Mr. Liu, Jun
Director

Ms. Yeh-Huang, Chun-Ying
Director

37 BALANCE SHEET OF THE COMPANY *(cont'd)*

(a) Reserve movement of the Company

		Attributable to equity holders of the Company			
		Share capital RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Balance at 1 January 2021		**1,874,438**	**48,807**	**(198,309)**	**1,724,936**
Loss for the year		**–**	**–**	**(4,341)**	**(4,341)**
Other comprehensive loss		**–**	**(1,036)**	**–**	**(1,036)**
Total comprehensive loss		**–**	**(1,036)**	**(4,341)**	**(5,377)**
Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings		**–**	**(7,188)**	**7,188**	**–**
Transactions with owners					
Share-based compensation expense	27	**–**	**5,296**	**–**	**5,296**
Issue of shares upon exercise of share options		**3,249**	**(1,259)**	**–**	**1,990**
Increase in share capital upon receipt of the grant consideration for award shares		**15,219**	**(7,599)**	**–**	**7,620**
Total transactions with owners		**18,468**	**(3,562)**	**–**	**14,906**
Balance at 31 December 2021		**1,892,906**	**37,021**	**(195,462)**	**1,734,465**
Balance at 1 January 2020		1,874,438	36,362	(193,639)	1,717,161
Loss for the year		–	–	(4,670)	(4,670)
Other comprehensive loss		–	(3,387)	–	(3,387)
Total comprehensive loss		–	(3,387)	(4,670)	(8,057)
Transactions with owners					
Share-based compensation expense	27	–	15,832	–	15,832
Total transactions with owners		–	15,832	–	15,832
Balance at 31 December 2020		1,874,438	48,807	(198,309)	1,724,936

FIVE-YEAR FINANCIAL SUMMARY

CONSOLIDATED RESULTS

	For the year ended 31 December				
	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
Revenue	**76,325**	22,491	45,308	39,219	51,608
Operating loss	**(259,700)**	(288,672)	(269,604)	(237,177)	(105,969)
Loss before income tax	**(261,216)**	(288,498)	(299,300)	(268,263)	(148,687)
Loss for the year and attributable to the equity holders of the Company	**(261,216)**	(288,498)	(299,300)	(268,263)	(148,687)
Total comprehensive loss for the year and attributable to the equity holders of the Company	**(262,172)**	(291,752)	(313,230)	(287,471)	(141,401)

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 December				
	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
Non-current assets	**404,300**	391,956	402,999	377,551	276,083
Current assets	**305,963**	249,227	614,363	299,687	87,974
Total assets	**710,263**	641,183	1,017,362	677,238	364,057
Non-current liabilities	**114,364**	6,083	12,299	786,577	264,954
Current liabilities	**260,808**	52,743	146,786	75,139	21,787
Total liabilities	**375,172**	58,826	159,085	861,716	286,741
Total equity/(deficit)	**335,091**	582,357	858,277	(184,478)	77,316

DEFINITIONS

"ADC"	antibody drug conjugate
"AGM"	the annual general meeting of the Company to be held in June 2022
"Amended and Restated Articles of Association"	the amended and restated articles of association of the Company which were adopted on 30 September 2019 and became effective on 28 October 2019
"ANDA"	abbreviated new drug application
"BioEngine Technology"	BioEngine Technology Development Inc. (玉晟管理顧問股份有限公司), a company incorporated in Taiwan with limited liability on 27 September 2007, which is an associate of Centerlab
"Board"	the board of Directors of the Company
"CDE"	the Center for drug Evaluation of the NMPA
"CDMO"	contract development and manufacturing organization, which is a pharmaceutical company that develops and manufactures drugs for other pharmaceutical companies on a contractual basis
"Centerlab"	Center Laboratories Inc. (晟德大藥廠股份有限公司), a company incorporated in Taiwan with limited liability on 4 November 1959 whose shares are listed on the Taipei Exchange (stock code: 4123), which (together with BioEngine Technology) is a controlling shareholder of the Company
"CG Code"	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
"CMO"	contract manufacturing organization, which is a pharmaceutical company that manufactures drugs for other pharmaceutical companies on a contractual basis
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company"	TOT BIOPHARM International Company Limited (東曜藥業股份有限公司) (formerly known as TOT BIOPHARM International Company Limited (東源國際醫藥股份有限公司)), a company incorporated in Hong Kong with limited liability on 4 December 2009 whose Shares are listed on the Stock Exchange (stock code: 1875)
"CRO"	contract research organization, which is a pharmaceutical company that conducts research for other pharmaceutical companies on a contractual basis

DEFINITIONS

"date of this report"	24 March 2022, being the latest practicable date for the purpose of ascertaining certain information contained in this annual report prior to its publication
"Director(s)"	the director(s) of the Company
"FDA"	the Food and Drug Administration of the United States
"Group", "we", "us" or "TOT BIOPHARM"	the Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the context may require) and except where the context indicates otherwise, includes their respective predecessor (if any)
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"HKFRSs"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"IND"	Investigational new drug application
"IPO" or "Global Offering"	the initial public offering of the Company which was completed on the Listing Date
"Listing Date"	8 November 2019, the date on which the Shares were listed 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
"Lumosa Therapeutics"	Lumosa Therapeutics Co., Ltd. (順天醫藥生技股份有限公司), a company incorporated in Taiwan with limited liability on 13 November 2000 whose shares are listed on the Taipei Exchange (stock code: 6535), which is an associate of Centerlab
"mAb"	monoclonal antibody
"Macau"	Macau Special Administrative Region of the PRC
"mCRC"	metastatic colorectal cancer
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"NDA"	new drug application

DEFINITIONS

"NMPA"	the National Medical Products Administration of the PRC
"NSCLC"	non-small-cell lung cancer
"nsNSCLC"	non-squamous NSCLC
"NTD"	New Taiwan dollar(s), the lawful currency of Taiwan
"PB-Hybrid Technology"	the Group's self-developed Perfusion-Batch Hybrid Technology
"PRC" or "China"	the People's Republic of China, excluding, for the purpose of this annual report, Hong Kong, Macau and Taiwan
"Pre-IPO Share Option(s)"	the share option(s) granted under the Pre-IPO Share Option Scheme
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme adopted by the Company on 20 February 2013 and subsequently amended on 11 December 2017, 20 December 2018, 12 March 2019, 16 April 2019 and 22 July 2019, details of which are disclosed on pages V-36 to V-47 of the Prospectus and in the section headed "Directors' Report – Pre-IPO Share Option Scheme" of this annual report
"Prospectus"	the prospectus dated 29 October 2019 published by the Company
"R&D"	research and development
"RMB"	Renminbi, the lawful currency of the PRC
"Restricted Award Share(s)"	the Share(s) granted under the Restricted Share Award Scheme and allotted and issued (or to be allotted and issued) to the trustees thereunder
"Restricted Share Award Scheme"	the restricted share award scheme adopted by the Company on 29 May 2020 and subsequently amended on 29 July 2020 and 23 December 2021, details of which are disclosed on pages 8 to 21 of the Company's circular dated 3 August 2020, in its announcement dated 23 December 2021 and in the section headed "Directors' Report – Restricted Share Award Scheme" of this annual report
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of the Company
"Shareholder(s)"	holder(s) of Share(s)

"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Taipei Exchange"	Taipei Exchange (證券櫃檯買賣中心) in Taiwan
"TOT Suzhou"	TOT BIOPHARM Co., Ltd. (東曜藥業有限公司), a company incorporated in the PRC with limited liability on 5 July 2010, which is a wholly-owned subsidiary of the Company
"United States" or "US"	the United States of America
"US$" or "USD"	United States dollar(s), the lawful currency of the United States
"Vivo Capital"	Vivo Capital Fund VIII, L.P. and Vivo Capital Surplus Fund VIII, L.P., both of which are limited partnerships organized in the State of Delaware of the United States on December 17, 2014 and are Shareholders
"Vivo Capital Fund VIII" or "Vivo Capital Fund VIII, L.P."	Vivo Capital Fund VIII, L.P., a limited partnership organized in the State of Delaware of the United States on 17 December 2014, which is a Shareholder
"wAMD"	wet age-related macular degeneration
"Yaozhan"	Yaozhan Pharmaceutical Jiangsu Co., Ltd. (曜展醫藥江蘇有限公司), a company incorporated in the PRC with limited liability on 13 May 2021, which is a wholly-owned subsidiary of the Company

In this annual report, the terms "associate(s)", "close associate(s)", "connected person(s)", "connected transaction(s)", "continuing connected transaction(s)", "controlling shareholder(s)", "subsidiary(ies)" and "substantial shareholder(s)" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

TABLE OF CONTENTS

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE ESG REPORT

Report Description

This report is the third Environmental, Social and Governance (hereinafter "ESG") Report (hereinafter referred to as the "ESG Report") issued by TOT BIOPHARM International Company Limited (hereinafter referred to as the "Company"). The ESG Report is published regularly on an annual basis and focuses on disclosing the Group's performance in responsible governance, quality management, innovative research & development (R&D), business cooperation, talent development, occupational safety and health, environmental protection and social contribution.

Basis of Compilation

The ESG Report is compiled in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as "HKEX") (the "Listing Rules"). The ESG Report strictly follows the comply-or-explain principle required by the *Environmental, Social and Governance Reporting Guide*. The ESG Report was developed according to a set of established procedures, including the identification and ranking of key stakeholders and material ESG issues, the collection of information for the ESG Report, and the review of quantitative data in the ESG Report.

Scope and Boundary of Report

Unless otherwise specified, the information relating to the period from January 1, 2021 to December 31, 2021 (hereinafter referred to as the "reporting period") is disclosed in the ESG Report, together with certain contents which contain information relating to prior years. The scope of the ESG Report includes TOT BIOPHARM International Company Limited and its subsidiaries (collectively hereinafter referred to as the "Group", "TOT BIOPHARM", or "we").

Assurance on Data Sources and Reliability

Data in the ESG Report comes from the Group's internal materials, survey and interview records, and relevant documents. The board of directors (hereinafter referred to as the "Board", and its members, the "Directors") of the Company undertakes that the ESG Report does not contain any false or misleading information and accepts liability for the truth, accuracy and completeness of the contents of the ESG Report. During the reporting period, we have restated some of the data due to the adjustment of statistical methods, please refer to the ESG Report for any inconsistency with data reported in previous years.

Confirmation and Approval

The ESG Report was approved by the Board on March 18, 2022 upon the confirmation by the management. If there are any discrepancies between the two versions of the ESG Report, the Chinese version shall prevail.

1. WITH EFFICIENT GOVERNANCE, CONSOLIDATE THE FOUNDATION OF TOT BIOPHARM

1.1 Corporate Governance

1.1.1 *Board's Statement*

The Board undertakes that the ESG Report does not contain any false information, misleading statements or material omissions, and makes the following statements regarding the Board's oversight and management of ESG:

1.1.1.1 *Governance Framework*

In order to strengthen the Group's ESG practices, the Group has established the Strategy and ESG Committee (hereinafter referred to as the "Committee") under the Board to research and make recommendations on the Group's long-term development strategies, critical investment decisions and ESG-related issues. To fully implement the ESG strategy, the Group has set up an ESG working team under the Committee to oversee the implementation of the relevant policies.

1.1.1.2 *Management Approach and Strategy*

We have conducted numerous regular and irregular communications with stakeholders through daily operations and special research, and we actively listened to their views and suggestions and responded to their needs during such communications. During the reporting period, we identified main stakeholders based on our own business characteristics and the practical experience of peers, then identified and responded to the material issues. The Committee has conducted studies and initiated active management on important issues such as responsible operation, green management, response to climate risks, promotion of employee development as well as active shouldering of social responsibility, and the detailed methods and results will be discussed in the ESG Report.

1.1.1.3 *Targets Review*

The Group has established the ESG strategy and objectives to manage and review our ESG impact and integrate the concept of sustainability into relevant operation. In accordance with the *Environmental, Social and Governance Reporting Guide* issued by the HKEX, we have set environmental key performance indicators (KPIs) covering greenhouse gas (GHG) emissions, energy, hazardous and non-hazardous waste, air pollutants, water efficiency and other aspects. Our environmental KPIs were reported to the Board and approved in March 2022. The progress towards their achievement is regularly reviewed by the Committee. Details of the environmental KPIs can be found in the section titled "*Environment Management – KPIs for Environment*" in part 3 of the ESG Report.

1.1.2 *Business Ethics*

1.1.2.1 *Regulation System Management*

We are fully aware that compliance with the laws and business ethics is our responsibility to our shareholders and the public. Therefore, we are committed to maintaining open, transparent, honest and corruption-free business operations through a rigorous business ethics system. We strictly abide by the relevant applicable laws and regulations of the country, the industry and the places where we operate, including the *Criminal Law of the People's Republic of China*, the *Anti-Monopoly Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China*, the *Anti-Money Laundering Law of the People's Republic of China* and the *Interim Provisions on the Prohibition of Commercial Bribery*. We are also firmly committed to eliminating all improper practices that violate business ethics. To strengthen compliance management, we have formulated the *Compliance Operations Manual* and focused on the two areas of anti-bribery compliance and anti-fraud compliance, which have high risks and frequent violations, in the pharmaceutical industry. Through our integrity policy, we have built up good relationships with government officials, healthcare professionals, medical institutions and upstream and downstream business partners. In addition, we have published the *Code of Business Conduct* to establish a concept of fair and honest treatment of business partners and third parties. Through the *Employee Handbook*, we regulated the business dealings of our internal employees and strengthened the business ethics of employees. We

actively encouraged external suppliers to sign the *Integrity Commitment* in the contractual process to improve their awareness of business ethics and compliance. During the reporting period, 100% of our suppliers signed the *Integrity Commitment* and no litigation cases of corruption or embezzlement have been brought or concluded.

The Group has comprehensive *Whistleblowing Policy* which encourages employees, customers, suppliers and other stakeholders to report any misconduct, fraud and violations within the Group in a non-anonymous manner. We verified the content of the reports and took corrective measures in a timely manner.

1.1.2.2 *Enhance Compliance Awareness*

The Group is fully aware of the importance of anti-corruption and compliance to its operations. In accordance with Part B7 of the *Environmental, Social and Governance Reporting Guide* of the HKEX, the Group conducted compliance training through various means to strengthen the awareness of legal and compliance operation among employees to cultivate compliance culture. During the reporting period, the Group provided compliance training, including anti-corruption training, to the Directors. To enhance the compliance awareness of all employees to reduce corporate compliance risks, the Group invited professional lawyers to conduct trainings titled "Legal Sharing on Contractual Practices" and "Legal Risks and Prevention in Healthcare Industry" for all employees in order to enhance the legal awareness and professional ethics of employees to facilitate the development of the enterprise.

1.1.3 *Risk Management*

The Group has continuously improved its risk management by establishing an internal audit department to control operational risks on top of the existing risk control advisory services provided by an external institution, thereby strengthening the internal communication mechanism. Through daily communication with the CEO and the Chairman of the Audit and Connected Transactions Review Committee, we enhanced awareness to internal risk management, identified and assessed risks on a multi-dimension and proposed targeted measures.

We have attached great importance to operational management risks. Since September 2021, we have systematically analyzed risks in organization structure, corporate governance, human resources, cost control, process management and information management and then actively taken countermeasures, devising and optimizing 112 systems and 30 processes. In order to meet the Group's business development needs and to form an efficient and flat operational management model, we have comprehensively organized our decision-making authority, streamlined business processes, improved operational efficiency and achieved a centralized control of systems and processes, thereby effectively reducing operational management risks and significantly enhancing the effectiveness of corporate governance. During the reporting period, we commissioned an independent third party to review the Group's fixed assets (including construction in progress) and procurement, which effectively improved our management level.

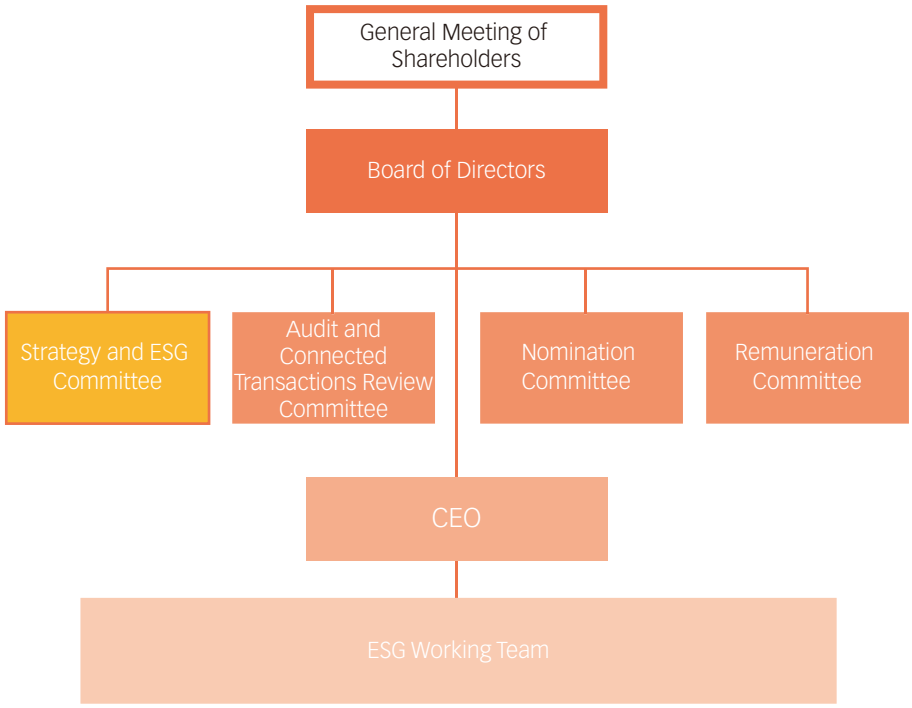
1.2 ESG Management

1.2.1 *ESG Management Framework*

As a leading company in the ADC field in China, it is our vision and inherent responsibility to "To improve the quality of life for cancer patients worldwide with innovative technology". Adhering to the concept of sustainable development, we look forward to contributing to the healthy China initiative, leading development with innovation, continuously promoting our innovative drug CDMO/CMO business, advancing the commercialization of our products, enhancing the accessibility to medicines, and providing relief to more patients. In addition to our own business development, we are mindful of our impact on the environment and society around us. We will continue to drive the Company towards healthy, rapid and sustainable development.

In order to adapt the needs of the strategic development of TOT BIOPHARM and to strengthen our ESG work, so as to further improve our governance structure, crystalize our development plan, enhance our scientific decision-making standard, and constantly improve our core competitiveness to ensure our sustainable development, on December 23, 2021, we changed our former Strategy Committee under the Board into the Strategy and ESG Committee, adding the management responsibilities for ESG while keeping the responsibilities of the former Strategy Committee, to meet the requirements of the Listing Rules and other regulatory requirements.

To ensure the integration of ESG into the Group's governance and decision-making process, the Committee has set up an ESG working team which is composed of the CEO, the executive Directors and the Company's management team to fully implement ESG strategies related work. The leader of the working team is served by an executive Director, and a team secretary is designated to promote and supervise relevant works. The company secretary is responsible for liaising with the Committee and organizing meetings, assisting the chairman of the Committee in supervising the implementation of relevant strategies, and performing the relevant duties delegated by the Committee. The members of the working team comprise commissioners from the Operations Management Centre, the General Management Office, the Human Resources Division and the R&D Management Centre and are responsible for regulatory evaluating ESG-related risks, actively communicating with stakeholders and fully promoting and implementing ESG-related works.



TOT BIOPHARM ESG Governance Framework

1.2.2 *Stakeholder Communication*

We attach great importance to communication with our stakeholders and continue to improve our communication channels with stakeholders. We fully incorporate the views of our stakeholders into our sustainable development management, thereby continuously improving the Group's ESG management capabilities.

The Group's communication with stakeholders is conducted mainly through both information disclosure and two-way interaction with stakeholders.

- Information disclosure: Corporate announcements, financial reports and other presentation materials are regularly updated on the Group's website and other channels to ensure that stakeholders have fair and timely access to the Group's public information.

- Two-way interaction with stakeholders: We organize a series of workshops, teleconferences, questionnaires, etc. to enhance communication with stakeholders.

Stakeholders' concerns and communication channels are as follows.

Stakeholder	Concerns	Communication Channels
Shareholders and Investors	• Board Involvement in ESG Management • Compliance with Business Ethics • Operation Risk Management • Industry Trends • Technology and Innovation	• Shareholders' General Meetings • Performance Presentation • Roadshow Activities • Investor Research Activities • Investor Hotline • Company Announcement • WeChat Official Account • Clinical Results Sharing Meeting
Government and Regulatory Agencies	• Compliance with Business Ethics • Operation Risk Management • Energy and GHG Management • Emissions Management • Water Resources Usage Management	• News/Information Bulletin • Regular Communication • On-site Visits
Employees	• Employment Diversity and Integration • Health and Safety of Employees • Training and Development of Employees • Employment Policy • Salary and Benefits of Employees	• Suggestion Box and Labor Union • Team Building Activities • Employee Satisfaction Survey

Stakeholder	Concerns	Communication Channels
Community and Public	• Charity and Community Contribution • Emissions Management • Energy and GHG Management • Product Quality	• Charitable Activities • Focus on Patient Needs • Regular Visits
Suppliers	• Compliance with Business Ethics • Supplier ESG Management	• On-site Review • Supplier Assessment • Technical Training • Online Communication
Business Partners	• Product Quality • Intellectual Property Protection • Innovative R&D	• Technical Meeting • Online Communication • Industry Communication Meeting
Customers	• Product Quality Control • Customer Privacy Protection	• Customer Satisfaction Survey • Customer Complaint Management • Brand Promotion

TOT BIOPHARM has established an investor relations department and it is responsible for day-to-day communicating with shareholders, investors and analysts. With the diversity of digital channels on the Internet, and in order to reduce the uncertainty caused by COVID-19, we conduct daily communication and activities with investors through various channels such as online meetings and offline visits. During the reporting period, we organized a number of investor roadshows. On November 9, 2021, we held a groundbreaking ceremony for the construction of our global R&D center and organized an investor open day to actively engage in in-depth communication with investors and stakeholders. In addition, the investor relations department regularly feeds information on the Group's and the industry's movements in the capital market to the senior management of the Group to provide the Directors with basis for decision making, and regularly maintains and expands the contact list of the Group's investors to enhance communication with them.

1.2.3 *Material Issues*

Based on the HKEx's *Environmental, Social and Governance Reporting Guide*, Sustainability Reporting Standards published by the Global Reporting Initiative (GRI Standards), and issues of general concern of the Sustainability Accounting Standards Board (SASB), Morgan Stanley International Capital (MSCI) ESG Ratings and other international rating agencies, combined with the responses to the 2021 stakeholder survey and the information obtained through regular interactive communications, we have analyzed, evaluated and identified 28 material issues for 2021, covering five major topics, including environmental management, employment and labor practices, products and services, community involvement, and corporate governance and corporate behavior.

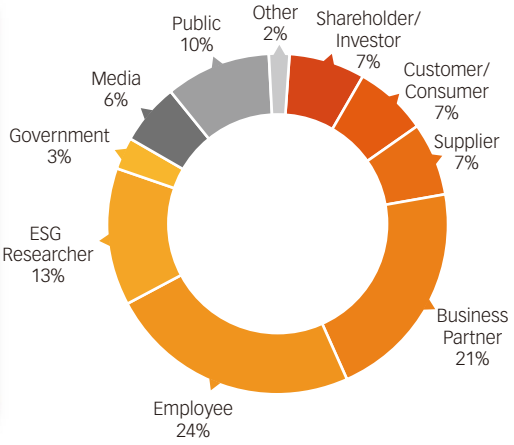
In order to truly understand the demands of our stakeholders and to communicate with them sincerely and effectively, we distributed targeted importance assessment questionnaires to our stakeholders in 2021. A total of 68 stakeholder questionnaires were collected, among which 16 were from internal stakeholders and 52 were from external stakeholders. We analyzed and identified the high, medium and low importance issues based on two dimensions of "importance to stakeholders" and "importance to the sustainable development of TOT BIOPHARM". In the ESG Report, we provided responses and disclosures on various material issues, with a focus on responding to the most important ones.

Stakeholder Communication Questionnaire

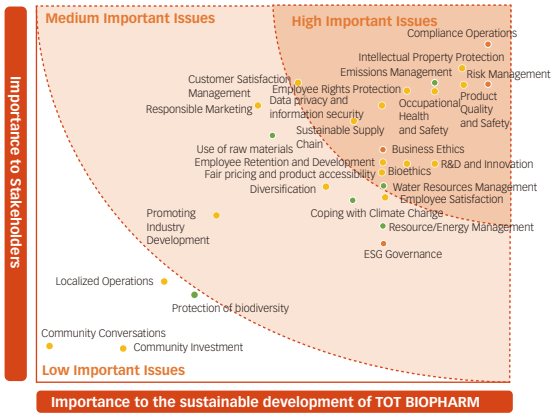
TOT BIOPHARM ESG Materiality Assessment Questionnaire (2021)

Dear Stakeholders, Thank you for participating in this materiality assessment questionnaire during your busy schedule.

TOT BIOPHARM International Company Limited (hereinafter referred to as "TOT BIOPHARM", "the Company" or "we") wishes to hear your views on environmental, social and governance (ESG) issues that are important to our business. The purpose of this questionnaire is to collect your opinions on our ESG issues, and the results will be used to prepare our ESG report and sustainability management.



Material Issues Matrix of TOT BIOPHARM



- **High Important Issues:**

Compliance Operations	Intellectual Property Protection
Risk Management	Product Quality and Safety
Emissions Management	Occupational Health and Safety
Employee Rights Protection	Customer Satisfaction Management
Data privacy and information security	
Sustainable Supply Chain	Business Ethics
Employee Retention and Development	
Bioethics	R&D and Innovation
Water Resources Management	Fair pricing and product accessibility

- **Medium Important Issues:**

Responsible Marketing	Use of raw materials
Diversification	Employee Satisfaction
Coping with Climate Change	Resource/Energy Management
Promoting Industry Development	ESG Governance

- **Low Important Issues:**

Localized Operations	Protection of biodiversity
Community Conversations	Community Investment

2. WITH QUALITY INNOVATION, BUILD PROFESSIONALISM FOR TOT BIOPHARM

2.1 Reliable Products

2.1.1 *Quality Management*

TOT BIOPHARM always upholds the concept of providing customers with better quality products. Over the years, we have devoted ourselves to improving the quality management system and deeply cultivated the culture of high quality in our corporate culture to strive to provide more patients and customers with better quality, convenient and safe products and services.

2.1.1.1 *Improve Quality Management System*

We strictly abide by the *Drug Administration Law of the People's Republic of China, Drug Manufacturing Quality Management Standards, Drug Non-clinical Research Quality Management Standards* and other relevant laws and regulations on quality management. Based on the quality management regulations of China, the United States and the European Union and the characteristics of TOT BIOPHARM, we have updated many regulations in 2021, such as *SOP of Quality Policy and Quality Objectives, SOP of Management Review*, *Contract Affairs, SOP of Distributor Management* etc., to build a solid foundation for the quality management system of the Group and to provide patients with higher quality products. In addition, during the reporting period, we have launched the Document and Training Management System (DMS), which allows us to transfer the standard operating procedures from offline to online, so that all quality management work can be tracked and the efficiency of stock management can be improved.

The Group is committed to establishing quality objectives in line with the requirements of pharmaceutical quality management and systematically implementing all requirements of safety, efficacy, and quality control of pharmaceutical registration into the entire process of pharmaceutical production, control and product release, storage, and shipment to ensure that the pharmaceutical products manufactured meet the expected use and registration requirements. In order to achieve quality management in the whole process, we established a well-organized quality management system, and appointed corresponding responsible persons and engineers in the three key aspects of "compliance", "field" and "verification" to realize a professional quality management system with clear responsibility.

In order to constantly review the effectiveness of our quality management system, we have carried out a series of internal and external inspections. During the reporting period, we have completed the self-inspection of each department of chemical and biological drugs. In terms of external inspections, we commissioned an external organization in May 2021 to perform a GMP gap analysis for the biopharmaceutical workshop and related systems, and the chemical workshop and related systems based on the China/FDA/EMA GMP and related guidelines. In addition, we also received on-site audits from three CDMO customers during the reporting period and no serious defects affecting product quality were found during the audits. After the audits, we also developed cause analysis and CAPA (Corrective Action and Preventive Action) based on the audit reports.

With our continuous efforts, 2 production lines passed GMP compliance inspection in 2021.

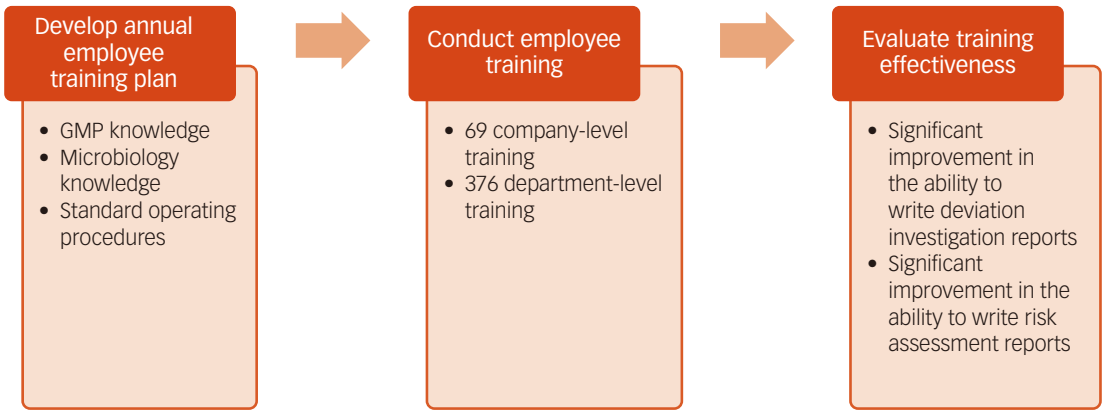
- The production line of hard capsule (anti-tumor drug) in the solid preparation workshop on the second floor of Building 1 plant passed GMP compliance inspection.

- The production line of therapeutic biological products (bevacizumab injection, non-final sterilization small volume injection) in the antibody production workshop on the second floor of Building 2 also passed GMP compliance inspection.

2.1.1.2 *Cultivate Quality Culture*

In order to improve our Group's quality management, truly implement the quality management policy of the Group, and promote quality culture dissemination and quality experience sharing, the strengthening of each employee's quality culture awareness and recognition has always been an important channel for us to guarantee quality management.

TOT BIOPHARM has formulated diverse quality-culture training programs for employees. Firstly, we develop the annual training plan for employees according to international GMP standards and the Group's quality management needs. The annual training plan includes GMP knowledge, microbiology knowledge and standard operating procedures for all systems to ensure that employees are aware of GMP requirements and internal standard operating procedures. In 2021, we conducted 69 company-level training sessions and 376 department-level training sessions in accordance with the annual training plan for employees.



TOT BIOPHARM Quality Training Process and Performance

Case Study: GMP special capacity development program

In 2021, we conducted a GMP-specific capability development program, including logical writing – deviation investigation writing (OJT) practical training, risk assessment report writing capability improvement training and expert training (SME training), which was participated by staff from each GMP functional department. Evaluation of the results of the training shows that the staff of each department has significantly improved their ability to write deviation investigation reports and risk assessment reports.

In addition, in order to enhance the sharing of knowledge and experience in quality control and to promote active learning among employees, we have conducted quality sharing meetings every week, which include GMP basic knowledge, the latest regulatory requirements, compliance examples, technical skills, work experience, etc., which contribute significantly to improvement on quality management.

2.1.1.3 *Laboratory 5S Management Practice*

The premise of drug quality is to ensure the proper operation and management of the laboratory. In order to provide patients with effective treatment and quality-assured drugs, we continued to implement the 5S management method in the laboratory during the reporting period. Under the leadership of the QC manager, all laboratory staff actively strengthened the standardization of laboratory construction, operation and management in five aspects, including sorting, setting in order, sweeping, cleaning, and raising awareness, to comprehensively improve the quality of the laboratory.

Sorting: Separate what needs to be kept and what needs to be removed. Only keep layout necessary items in the laboratory to avoid missing or messing up items.

Setting in order: Put all necessary items in the place provided with clear labels. Based on the previous sorting, arrange, and place the remaining items on the site properly for easy use.

Sweeping: The person in charge of the equipment should clean the equipment, clean the used countertops, and remove the rubbish in a timely manner.

Cleaning: Carefully keep the workplace and equipment clean, tidy and in order, and create a pleasant work environment for employees.

Awareness: Improve the awareness of employees to develop the habit and culture of strictly abiding by rules and regulations.

2.1.2 *Drug Registration Management*

The Group continues to regulate the management of drug registration and evaluation on the basis of compliance with the *Drug Administration Law of the People's Republic of China* and *Measures for the Administration of Drug Registration*. In order to continuously regulate drug registration practices, we have established regulatory affairs offices in Suzhou headquarters and Beijing, which are equipped with knowledge of domestic and international drug regulations and practical experience in registration applications. At the same time, we maintained good communication with relevant pharmacovigilance agencies from China, the United States and Europe, paid close attention to changes in domestic and international registration and reporting regulations and conduct targeted research and analysis work. We have also organized and participated in a number of trainings on regulations and policies, such as approval of ingredients, auxiliaries and packaging materials, accelerated listing and registration procedures for drugs, study of China-US-Japan review reports for typical varieties, training on post-marketing change management methods and related guidelines for drugs, briefing sessions on the implementation of ICH guidelines, clinical success and failure of antibody drug conjugates, the training on MAH pharmacovigilance and market access course, so as to prepare for the marketing and internationalization of the products in the future.

During the reporting period, we completed the pre-approval inspection, on-site verification, and technical data evaluation of three products – bevacizumab injection (朴欣汀®), temozolomide capsule (Tazian®) and megestrol acetate oral suspension (TOM218). In addition, in accordance with the *Technical Guidelines for Clinical Modification of Marketed Chemicals and Biologics* and the *Technical Guidelines for Similarity Evaluation and Indication Extrapolation of Biosimilar Drugs*, we have submitted supplementary applications for three new indications (recurrent glioblastoma multiforme; epithelial ovarian cancer, fallopian tube cancer or primary peritoneal cancer; and cervical cancer), which have been accepted.

2.1.3 *Product Safety*

Protecting people's drug safety, establishing a sound drug safety regulatory mechanism and timely recalling problematic drugs are the obligations of pharmaceutical companies. On the basis of strict compliance with the *Drug Recall Management Measures* and other policies, we have continuously optimized the drug recall management mechanism. According to the degree of harm of different drugs and the urgency of the incident, we divided product recalls into level 1, level 2 and level 3 recalls and made clear regulations for the initiation time limit, reporting mechanism, summary report and other procedures and regularly evaluate the effectiveness of the product recall system. During the reporting period, we had no product recalls and no adverse reactions on marketed products.

TOT BIOPHARM Product Recall Process

Recall Level	Recall Conditions
Level 1 Recall	The drug may cause serious health hazards or death
Level 2 Recall	The drug may cause temporary or reversible health hazards
Level 3 Recall	The drug generally does not cause health hazards, but for other reasons, such as the product does not work properly or there are defects that need to be withdrawn

During the reporting period, we optimized our procedures for handling drugs with a focus on four areas: drug recall operations, complaint handling, drug traceability, and product safety reporting, to give customers a more convenient and reassuring medication experience.

Drug Recall: We optimized the *SOP of Product Recalls* to enable the recall process of drugs to comply with the current regulatory requirements, and completed a mock recall of a commercially available product (temozolomide capsules) in December 2021. The level of the mock recall was Level 3, and the recall plan, recall announcement, recall record, and recall summary were completed within 7 days, which fully tested the responsiveness of recall operation in each department.

Complaint Management: We optimized the *SOP of Products Complaint Management* to regulate complaint procedures and trained every employee to know how to handle complaints when they are received.

Drug traceability: For the online traceability of drugs, we have newly formulated the *SOP of Safe Drug Traceability Platform* to standardize the drug traceability code information system, ensuring the source-traceability, traceability, and the ability to enquire on listed drugs.

Product Safety Report: We have optimized the *Standard Management Procedure for Individual Case Safety Reports of Post-marketing Products* to standardize the reporting process for safety information related to marketed products and products sold by agents.

2.1.4 *Innovative R&D and Industry Collaboration*

Efficient independent R&D ability is the foundation for the development of biopharmaceutical companies. The Group has always insisted on innovation concept and ensures the continuous momentum for independent innovation by building a globally linked R&D capability and an independent and complete technology platform, while striving to develop more trustworthy and high-quality biological drugs to enhance the accessibility of drugs. During the reporting period, we initiated the construction of our Global R&D Centre, which is expected to be completed in 2023 and will be able to accommodate 280 to 300 researchers in the core R&D laboratory area. The Global R&D Centre will be able to conduct research and process development for a number of monoclonal antibodies, ADC drugs, oncolytic virus drugs and special small molecule anti-tumour drugs at the same time.

As a pioneer in the field of ADC drugs research and development in China, TOT BIOPHARM carried out in-depth exchanges actively with industry experts to promote the cooperative development of innovative cancer drugs jointly. During the reporting period, TOT BIOPHARM opened up its collaborative platform and entered into a global strategic collaboration with HBM Holdings Limited (2142.HK) for the co-development of TAC020, an innovative targeted anti-body drug. In addition, we have participated in exchanges in major summits and technological cooperation within the industry, which mainly focused on ADC and CDMO/COM fields, and participated in and organized 7 industry forums to promote the development of innovative medicine.

2.2 Responsible Operation

2.2.1 *Privacy and Information Security*

TOT BIOPHARM attached great importance to privacy and data security, the information security of the Group, employees, patients, test subjects, customers and business partners, trade secrets and intellectual property. We have standardized our Group's information security system through the *Information Security Policy Strategy* and *Information Security Management Regulations* to provide basic support for the development of CDMO/CMO business. We have ensured the integrity of data by establishing requirements related to data security operations, adopting safe and effective protection measures for the Group's key data and conducting regular data back-up and restore tests. We have also effectively raised employees' awareness of information security to form a corporate information security culture through information security promotion activities. We have ensured that the trade secrets of the Group and our business partners are protected through the establishment of network control, defense tools and network security testing activities, etc. During the reporting period, TOT BIOPHARM did not receive any complaints regarding infringement of user privacy and violation of data protection laws.

2.2.2 *Intellectual Property Protection*

We strictly abide by the *Patent Law of the People's Republic of China*, the *Trademark Law of the People's Republic of China* and other national laws and regulations and have formulated internal management systems such as the *Intellectual Property Management Policy*, the *Patent Reward Management Regulations* and the *Patent Application and Management Measures* to unify and standardize the working mechanisms for the collection, flow, review and release of intellectual property.

While applying and maintaining our trademarks, licenses and patents, we continued to monitor the use of similar trademarks and patents in the market. We analyzed the patent FTO (Free To Operate) for the TAA013 project in mainland China and continuously tracked and updated the relevant analysis reports.

In order to enhance employees' attention to intellectual property, we have actively cultivated a culture of intellectual property protection while requiring new employees to understand and sign the terms regarding confidentiality, non-compete and prohibition of infringement of third-party intellectual property rights in their employment contracts. In addition, considering the knowledge-intensive nature of the Group to clarify the intellectual property between the Group and individuals and to prevent employees from violating their non-compete agreements with their former employers, we required new employees to sign the *TOT BIOPHARM Job Employment Statement* to avoid relevant intellectual property disputes. At the same time, for our key employees, we required them to sign relevant documents such as trade secret protection and non-compete agreements.

During the reporting period, we submitted a total of 8 patent applications, including 5 invention patents and 3 utility model patents. During the same period, a patent application from Taiwan was granted. As of December 31, 2021, the Group had a total of 27 granted patents (including 22 invention patents and 5 utility model patents) and 278 registered trademarks.

The patents with outstanding innovative progress are:

- CD47 antibody, which can effectively avoid binding to red blood cells and exhibit high efficiency and low toxic side effects by acting only on tumor cells without affecting normal cell functions.

- TVP211, a third generation innovative oncolytic virus drug, which involves oncolytic viruses that showed excellent specific killing effects in cellular assays.

- Quantitative determination of hyaluronidase, which can be applied to areas related to subcutaneous preparations.

2.2.3 *Label Management*

Drug labeling and instructions are important means of guiding the correct selection and use of drugs, which is relevant to the public health and life safety. Therefore, it is important to have correct understanding and implementation of the *Provisions for Drug Directions and Labels* for pharmaceutical manufacturers.

TOT BIOPHARM complies with the laws and regulations such as the *Drug Administration Law of the People's Republic of China* and the *Provisions for Drug Directions and Labels* and has established the *SOP for Printed Packaging Materials Management (including packaging materials)*, the *SOP for Material Management*, the *SOP for Material Receipt and Inspection* and the *SOP for Material Storage, Issuance and Return* to ensure that our product labels and instructions meet the regulatory requirements. We also kept an eye on the regulations on labeling and instructions from the National Medical Products Administration (NMPA) to ensure that we could revise the management system of drug labeling and instructions in a timely manner and completed the training for relevant personnel on the regulations of packaging labeling and instructions in 2021.

2.2.4 *Technology Ethics*

2.2.4.1 *Clinical Trial Ethics*

TOT BIOPHARM strictly abided by the *Declaration of Helsinki* and other principles of medical ethics, the *Code of Quality Management of Drug Clinical Trials* and other relevant laws and regulations. In the clinical trial activities, we strictly follows the requirements of submitting relevant materials for review by the ethics committee in order to protect the safety and rights of the test subjects. In accordance with ethical regulations, test subjects are fully informed of the purpose, design, risks and benefits of the study before they enter the clinical trial. In order to protect the test subjects' rights to informed consent, we implemented a standardized process of signing informed consent letter for each test subject. In the process of clinical trials, we take a variety of measures to protect the legal rights and lives of our test subjects.

2.2.4.2 *Animal Welfare*

TOT BIOPHARM always has respect and gratitude for the animals that dedicate themselves to human research and makes every effort to maintain the basic welfare of animals in various aspects such as their physiology, psychology, environment, behavior, and hygiene. We strictly comply with all applicable national or regional laws and regulations related to laboratory animal and continuously improve our management systems and documents on laboratory animal welfare. We have commissioned service provider to conduct occasional audits to ensure that our suppliers comply with the relevant regulations, which is incorporating the 3R principles of animal experimentation into the animal experimentation work management system and treat animals well to reduce suffering and mortality. Meanwhile, in order to improve the speed and quality of R&D, we are gradually establishing a standardized R&D system. At present, we have developed different level of documents such as *R&D Project Management Regulations* and *Records and Registration Management Regulations* to realize whole process management from starting a project to publishing R&D reports. In December 2021, we conducted an audit of the laboratory animal welfare on our CRO partner company engaged in animal efficacy assessment and provided answers in details to detailed questions related to animal welfare and provided a certificate of qualification for animal laboratory. This audit confirmed that the Group has a sound mechanism for animal welfare protection.

The "3Rs" principle for laboratory animals are:

1. Reduction: Use a smaller number of animals to obtain the same amount of experimental data or uses a certain number of animals to obtain more experimental data.

2. Replacement: Use other methods to achieve a particular experimental purpose without using animals, or use unconscious test material instead of a conscious live vertebrate.

3. Refinement: On the basis of scientific principles, enhance animal welfare by improving conditions and treating animals well, or avoiding and alleviating pain and stress unrelated to the experiment caused to animals by refining experimental procedures and improving experimental techniques.

2.3 Marketing Services

2.3.1 *Responsible Marketing*

Since its establishment in 2009, TOT BIOPHARM has focused on the development and commercialization of innovative oncology drugs and therapies, striving to build a leading brand in oncology treatment trusted by medical professionals, patients and families. At the same time, we strictly comply with the *Interim Provisions on the Prohibition of Commercial Bribery*, the *Law of the People's Republic of China Against Unfair Competition* and other laws and regulations governing our business operations.

As our Group's products enter the commercialization stage, we were placing greater emphasis on the importance of responsible marketing in our business management. We maintained fairness and impartiality through regulatory awareness training for our marketing employees, covering laws and regulations to prevent bribery, extortion, fraud and anti-unfair competition. In order to ensure the compliance of marketing activities and promote the integrity awareness of our employees, we have conducted numerous pharmacovigilance programs for our employees. As a marketing authorization holder (MAH), we also conducted routine training for our cooperative promoters. We have given proper guidance for the reporting and handling of reports on adverse reactions that customers might encounter.

In 2021, we have not been notified and investigated by regulatory authorities for illegal and exaggerated promotion in our marketing and professional promotion. Our marketing employees strictly followed our corporate mission, promoted professional compliance, and provided professional medical and pharmacological advice to improve the level of diagnosis of medical professionals and raise patients' awareness of medical treatment.

Meanwhile, in order to actively respond to the changes in the commercialized market of the pharmaceutical industry, TOT BIOPHARM established Yaozhan Pharmaceutical Jiangsu Co., Ltd. (曜展醫藥江蘇有限公司) in May 2021 to focus on the research, development, manufacturing and marketing of oncology drugs. In November of the same year, we actively collaborated with China Resources Pharmaceutical and Commercial Group International Trade Company Limited (華潤醫藥商業集團國際貿易有限公司) ("China Resources Pharmaceutical and Commercial Group") to establish the JV marketing company, Huayao Pharmaceutical (Suzhou) Company Limited (華曜醫藥(蘇州)有限公司), in order to leverage the extensive pharmaceutical marketing and logistics channels of China Resources Pharmaceutical and Commercial Group, and combine it with our professional team in the field of anti-tumor drug marketing, in order to expand into the market of innovative anti-tumor drug sales and related medical services.

2.3.2 *Reputation Risk Management*

As a listed pharmaceutical company, TOT BIOPHARM's business has developed and reputation has increased. The importance of reputation risk management has become more and more evident for us. In order to bring all employees to actively participate in corporate reputation risk management, enhance reputation risk management awareness and reputation risk prevention capabilities, during the reporting period, the Group conducted seminar on the *Brand Value Enhancement and Maintenance* for all employees, issued the *Corporate Reputation Risk Management Measures (interim measures)*, elected "press officers" in each department to assist in reputation risk management communication and daily promotion and conducted the first "Press Officer Training" to enable employees to understand the meaning and process of public opinion management.

3. GREEN OPERATION FOR TOT BIOPHARM'S SUSTAINABILITY

Against the background of global warming and decreasing resources, in order to achieve sustainable development, it has become the responsibility of every enterprise to actively realize the deep integration of green development and enterprise industrial development and daily operation. In order to implement green development, TOT BIOPHARM has strictly complied with relevant laws and regulations, established an internal green system that suits its production and management and set environmental targets for 2022. By actively strengthening the environmental awareness of our employees, strictly managing pollution emissions, and improving the efficiency of resource utilization, we integrated the green operation concept into every aspect of our business operations to promote a long-term win-win situation for the Group, the environment and society.

3.1 Environment Management

3.1.1 Environment Management System

TOT BIOPHARM strictly complies with environmental protection related laws and regulations such as the *Law of the People's Republic of China on the Prevention and Control of Air Pollution*, the *Law of the People's Republic of China on the Prevention and Control of Water Pollution*, the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste*, the *Comprehensive Emission Standard for Sewage* and the *Comprehensive Emission Standard for Air Emission Pollutants*. We have established a strong environmental management organization structure within the Group. Our environmental management organization is headed by the CEO as the top manager, with each functional department formulating and implementing environmental management plans according to its specific situation and an EHS department formulating environmental policies and overseeing the implementation of each functional department's environmental plans. During the reporting period, TOT BIOPHARM maintained the operation of the ISO 14001 environmental management system, deepened the adjustment of documents such as the *Waste Gas Control and Management Procedures* and *Risk and Opportunity Identification Management Procedures* respectively according to the actual operation of the Group, added details and operational descriptions of the actual management process and continuously adjusted the system documents to match the operation of the plant. We also optimized the evaluation method of risk management to make it more capable of maintaining the sound operation of the system.

In addition, regarding the impact of climate change on the environment, we have been practicing our commitment to environmental protection. In 2021, our Suzhou plant has established documents and policies to address climate change, such as the *Climate Change Response Management Procedure and the Environmental Protection Packaging Management Procedure*, to make concrete action plans for climate change adaptation and GHG emission reduction.

3.1.2 *KPIs for Environment*

In 2021, as the Group's product was approved for marketing and the CDMO/CMO business achieved higher growth, the total consumption of resources and amount of emissions showed an upward trend. In order to ensure that TOT BIOPHARM still adheres to its environmental responsibility and practices sustainable development during the period of rapid business development, we set three-year qualitative environmental targets, revolving around energy saving, carbon reduction and reducing pollution, focusing on the future development direction and demonstrating the Group's green awareness and positive action during the reporting period. At the same time, we have also developed quantitative targets and paths to achieve energy efficiency and emission reductions by 2022, and used 2021 as the base year.

Our three-year qualitative targets are:

- Energy saving and consumption reduction
  - Energy saving: Continuously improve energy efficiency and reduce energy consumption per unit of output value by technical transformation, equipment upgrade and management energy saving.
  - Water conservation: Continuously optimize the use of water resources and reduce water consumption per unit of output value, by expanding the scale of water recycling and upgrading traditional water-using equipment to water-saving equipment.
  - Material saving: Continuously improve the utilization rate of raw materials, reduce paper consumption, consume less raw material and reduce the amount of waste generated per unit of output value by upgrading the R&D and production technologies and promoting digitalization.
- Reducing pollution and carbon emissions
  - Reduce GHG emissions: Continuously reduce GHG emissions per unit of output value by installing distributed photovoltaic systems, purchasing renewable energy electricity, electrification, optimizing energy use in new buildings, and using green refrigerants.
  - Exhaust gas treatment: Continuously promote electrification, reduce emissions due to fossil fuel combustion, achieve 100% collection and treatment of exhaust gas, and achieve 100% compliance with emission standards.
  - Wastewater treatment: 100% of wastewater is collected and treated, with 100% compliance with the emission standards.
  - Waste disposal: Waste will be collected separately and 100% handed over to qualified third parties for disposal as required by relevant regulations.

Our 2022 quantitative targets for energy efficiency and emissions reduction:

Index	Unit	2021 (base year)	2022 target (YOY decline)
Energy consumption intensity	tce (tonnes of standard coal equivalent)/RMB0'000 revenue	0.47	**50%~87%**
Greenhouse gas emission intensity	tCO_2e (tonnes of carbon dioxide equivalent)/ RMB0'000 revenue	1.97	**50%~87%**
Water consumption intensity	tonnes/RMB0'000 revenue	32.16	**48%~86%**
Wastewater discharge intensity	tonnes/RMB0'000 revenue	6.43	**48%~86%**
Hazardous waste discharge intensity	kilogram/RMB0'000 revenue	2.52	**42%~84%**
Non-hazardous waste discharge intensity	kilogram/RMB0'000 revenue	14.06	**55%~88%**

3.1.3 *Environmental Training*

In order to raise employees' awareness of the "saving, green, low-carbon" concept of environmental protection and to promote the sustainable development of the enterprise from a microscopic perspective, we have carried out a series of environmental protection awareness training activities for our employees.

- 930 hours of EHS-related training attended by employees[1]
- 3 hours of EHS training per employee
- Total EHS training attendance by employees reached 1,260 person-times

[1] In 2021, we identified duplication of training hours in our previous statistics, and we revised our methodology in 2021, resulting in a decrease compared to information disclosed in the 2020 report.

Case Study: Conducting training for environmental partners in response to the goal of "Two Reductions, Six Treatments and Three Improvements"

In order to actively respond to Suzhou Industrial Park's ecological environment goal of "two reductions, six treatments and three improvements", the Group actively participated in the green environmental protection promotion course initiated by Suzhou Industrial Park Environmental Protection Bureau, the main contents of which include:

Two Reductions

By focusing on reducing total coal consumption and reducing backward chemical production capacity, reduce the burden on the ecological environment from the source.

Six Treatments

Focus on the treatment of six aspects, including the Taihu Lake water environment, domestic waste, black smelly water, livestock and poultry breeding pollution, volatile organic pollution and environmental threats.

Three Improvements

Enhance the level of ecological protection, enhance the level of environmental and economic policy regulation and control, and enhance the level of environmental supervision and enforcement to provide a solid guarantee for the construction of ecological civilization.

A total of 40 employees participated this training for the purpose of improving the enviromental management and awaremess by learning the course of Evnironmental Management Practices and Methods.

Environmental partners training

Case Study: Conducting a waste classification competition in office areas

During the reporting period, we conducted a three-month waste sorting competition in office area. This activity trained employees on waste separation according to the *Suzhou Municipal Regulations on the Management of Household Waste Separation* and classified recyclable waste, hazardous waste, food waste and other waste in groups by area. Through the competition on sorting domestic garbage, the awareness and ability of employees on the correct classification of domestic garbage were improved.

3.1.4 *Green Office*

In order to save paper usage and reduce the generation of non-hazardous waste, we have deeply promoted the online operation of the DMS documentation system during the reporting period. Under the DMS system, not only all GMP-type documents of the plant were reviewed online, training, examinations and distribution of documents could also be conducted through the online system. During the reporting period, the Group has made significant progress in paperless office. The DMS online system could save at least 750,000 sheets of paper and reduce 3 tonnes of non-hazardous waste generation annually.

Office environment of No.2 plant

3.2 Climate Change

Nowadays, with global warming and the frequent occurrence of abnormal weather, it is a mandatory course and due obligation for every company to actively address climate risk issues. To guide all employees of TOT BIOPHARM to actively practice the concept of energy saving and low carbon, continuously reducing the carbon footprint of the Group's operation, reducing GHG emissions and helping to cope with the global climate crisis, and to build a more harmonious and pleasant community with a shared future for mankind, TOT BIOPHARM has specially formulated the *Response for Climate Change Management Procedure* to regulate corporate behavior in response to climate change and provide guidelines for the identification and handling of climate risks.

3.2.1 *Climate Governance*

In accordance with the Task Force on Climate-related Financial Disclosures (TCFD) framework, TOT BIOPHARM identified and disclosed the Group's policies and actions to address climate risks and seize climate opportunities. The Committee is responsible for monitoring and reviewing the domestic and international ESG situation, including climate impact and assessing its potential influences, opportunities and risks to the business of the Group. Our ESG report, which covers the topic of "Addressing Climate Change", is reviewed on an annual basis.

The ESG working team has established KPIs, including GHG emissions in Scope 1 and Scope 2, to review the Group's performance in ESG. At the same time, the Group promoted ESG-related issues, including GHG emission reduction and environmental impact reduction, through a multi-departmental ESG working mechanism.

3.2.2 *Climate Strategy*

The Group has identified the possible impacts of climate change on its own business in different time scales, such as short-term (1~2 years), medium-term (3~5 years), medium-to-long-term (6~9 years) and long-term (10 years and above), in accordance with the TCFD climate risk disclosure framework from two dimensions, namely physical risk and transition risk.

Climate Risk Identification Matrix

Risk Type	Factors	Risk Classification	Risk Examples	Time Dimension	Business Involved	Impact Intensity
Physical Risk	Heat Wave	Acute Operational Risk	During heat waves, employees may be unable to work due to heat exhaustion, heat stroke or other illnesses caused by the extreme heat, resulting in higher operating costs. Production machinery may face overheating problems, resulting in a shortened service life. Both scenarios have the potential to result in lost revenue.	Long-term	Whole Group	High
	Earthquake	Acute Operational Risk	As the Group's manufacturing plants are located in Suzhou Industrial Park and its geographical location is not in an area with high seismic risk, it is exposed to low seismic risk.	Long-term	Whole Group	Low
	Typhoon	Acute Operational Risk	As the Group's manufacturing plants are located in Suzhou Industrial Park and its geographical location does not have areas with frequent typhoon occurrence, it is exposed to low risk of typhoons.	Long-term	Whole Group	Low
	Mosquito breeding	Chronic Operational Risk	Temperature increase and precipitation increase leads to mosquito breeding, thus increasing the risk of mosquito-borne disease transmission.	Long-term	Whole Group	Low
	Sea level rise	Chronic Operational Risk	Due to the low topography of Suzhou Industrial Park, the infill method is used in the development process of the industrial park, and the ground elevation is 3.5~5.0 meters. To a certain extent, the risk of flooding caused by sea level rise is mitigated.	Long-term	Whole Group	Low

Risk Type	Factors	Risk Classification	Risk Examples	Time Dimension	Business Involved	Impact Intensity
Transformation Risk	Energy pressure	Acute Operational Risk	The local government's power restriction policy may lead to a direct shutdown or reduction in production, and the power restriction may also affect the upstream supply chain, thus increasing production costs.	Short-term	Whole Group	High
	Water resource pressure	Chronic Operational Risk	As the Group's production plants are located in Suzhou, an area with non-high water resource pressure, the risk of water shortage faced by the Group is low.	Short-term	Production department	Low
	New policies for low carbon economy transformation	Market and Technology Risk	With China's commitment to a 3060 dual carbon target and new government policies to support a low carbon transformation, high emission economic activity will come under pressure, increasing the cost of research and development for green production.	Long-term	Whole Group	High
	Energy transformation policy	Market and Technology Risk	As a result of more stringent government policies to reduce emissions, the Group needs lower-emission green energy to replace existing higher-emission energy sources, increasing the cost of transforming to lower-emission technologies.	Mid-long Term	Production department	Medium
	Carbon market price volatility	Market and Reputation Risk	The Group's cash flow may be affected by fluctuations in carbon market prices due to the introduction of more stringent government policies on carbon emissions.	Mid-long Term	Whole Group	High
	Mandatory Disclosure	Operation and Reputation Risk	Regulators require mandatory disclosure of climate-related financial information. Lack of historical data and accurate accounting methods affects the quality of disclosure.	Short-term	Whole Group	Low
	Environmental standards increase	Market and Technology Risk	As a result of the government's more stringent environmental protection policy, the Group needs to improve its production energy standard and invest in energy saving and environmental protection improvement.	Long-term	Whole Group	High

3.2.3 *Risk Management*

TOT BIOPHARM conducted industry-level risk reviews based on publicly available materials and industry analysis to identify common risks in the industries. At the same time, we encouraged communication between stakeholders and internal management to identify climate risks that were easily overlooked by internal management. We used a qualitative assessment method to rank the identified risks as "low," "medium," and "high" in terms of likelihood of occurrence, impact, resilience and recovery.

Based on the above-mentioned climate related risk identification, TOT BIOPHARM has established the *Response for Climate Change Management Procedure* to further improve risk management capability and achieve long-term sustainable development by controlling GHG emissions, setting up adaptation measures to cope with climate risks and strengthening environmental awareness promotion.

In terms of mitigating GHG emissions, our sources of GHG emissions were mainly purchased electricity, our own vehicles and generators that used diesel fuel and emissions caused by refrigerants. In the future, our main countermeasures were to change the energy structure, control the use of fossil fuels, increase the proportion of renewable energy, upgrade old equipment with high energy consumption and choose environmentally friendly and energy-saving buildings and green refrigerants.

In terms of climate change adaptation, TOT BIOPHARM dynamically identified domestic and international climate-related policies and regulations and establishes internal climate risk identification, evaluation and control procedures. In response to extreme weather, we have formulated the *Extreme Weather Emergency Plan*, formed a monitoring and early warning mechanism for extreme weather and climate events, and regularly conducted emergency drills and training for natural disaster response. In terms of engineering, we have built infrastructure to cope with climate change, such as emergency pools for accidents; improve the climate resilience of new buildings, such as seismic design, wind protection design, lightning protection design, flood protection design, fire protection design, etc. and purchase extreme weather insurance to prevent losses caused by extreme weather.

In terms of environmental awareness promotion, the EHS department led the promotion of energy saving and emission reduction awareness and related activities, and establishes a reward system to select and reward the proposers and/or implementers of environmental protection measures.

We integrated climate change-related risks into our overall risk management.

TOT BIOPHARM Risk Management Process:

Examples of climate change-related risks in our current risk management:

- Operations: Maintain production and provide reliable service in the face of frequent extreme weather conditions.
- Environmental health and safety: health and safety events caused by climate change (e.g. floods, storms).
- Strategy: Adapt to progressively tighter emissions policies.
- Legal and Compliance: Changes in Legal Policy Related to Climate Change.
- Reputation: Ability to meet customer and stakeholder expectations for clean energy.
- Finance: The impact of climate policy on energy prices.

3.2.4 *Metrics & Targets*

During the reporting period, the GHG emission intensity of TOT BIOPHARM was 1.97 tonnes of carbon dioxide equivalent (tCO_2e) per RMB10,000 of revenue, representing a 70% decrease in GHG emission intensity compared to the same period last year. After the start of commercial mass production in 2021, production line utilisation and operating income increased, therefore GHG emission intensity was more volatile than in previous years.

In terms of mitigating GHG emissions, considering the Group's future capacity expansion, we have selected GHG emission intensity (i.e. the ratio of total GHG emissions to the Group's annual revenue of RMB10,000) as a measure of the Group's GHG reduction target. Besides, we set a target of 50%~87% reduction in the Group's GHG emission intensity by 2022, and using 2021 as the base year. In order to achieve this goal, we upgraded the old equipment of the factory with high energy consumption, committed to consider environmental protection and energy saving measures in the design of new projects and reserve appropriate green areas, choose environmentally-friendly materials in construction, gave priority to energy-saving equipment in purchase and used green refrigerants, etc. We have also reduced GHG emissions by using a paperless office, reduced travel trips and adopted local procurement.

Category	**Unit**	2021	2020	2019
Scope I GHG emissions	tCO_2e	**4,722**	5,075	3,562
Scope II GHG emissions	tCO_2e	**10,291**	9,693	7,757
Total GHG emissions (Scope I + Scope II)[2]	tCO_2e	**15,014**	14,769	11,319
Intensity of GHG emission	tCO_2e/RMB0'000 revenue	**1.97**	6.57	2.50

[2] In 2021, we conducted a new inspection of our GHG emissions in accordance with ISO 14064-1. The previous greenhouse gas emissions of 2019 and 2020 only included direct emissions from fossil fuels and indirect emissions from purchased electricity, which did not include emissions from production processes and refrigerant emissions. In the ESG Report, the data of 2020 are restated.

3.3 Resource Conservation

We have always adhered to the principle of reducing waste of resources and improving the efficiency of resource utilization, which could save costs and promote the long-term benign development of TOT BIOPHARM, and fulfilled the obligation to protect the earth's resources and promote sustainable development.

3.3.1 *Energy Management*

The Group has established and complied with the *Energy Conservation Management Procedure* to improve the efficiency of the use of energy. The energy consumed by TOT BIOPHARM was mainly electricity, natural gas and diesel fuel. The Group's Power Operation Department conducted survey and analysis of the specific usage of each energy source to ensure the effective implementation of the Group's energy-saving target measures. During the reporting period, the energy consumption intensity of TOT BIOPHARM was 0.47 tonnes of standard coal per RMB10,000 of revenue, representing a 72% decrease in energy consumption intensity compared to the same period last year.

We planed to continuously improve energy efficiency and reduce energy consumption per unit of output value by means of technological transformation, equipment upgrade and energy saving management. Using 2021 as the base year, we will reduce energy consumption intensity by 50%~87% in 2022.

Category	**Unit**	2021	2020	2019
Consumption of purchased electricity	KWh	**12,992,420**	12,252,663	11,026,380
Natural Gas	m^3	**1,608,469**	1,673,800	1,647,000
Diesel fuel	Liters	**200**	100	500
Direct energy consumption	Tce	**1,953**	2,229	2,000
Indirect energy consumption	Tce	**1,597**	1,504	1,355
Total energy consumption	Tce	**3,550**	3,733	3,355
Intensity of energy consumption	Tce/RMB0'000 revenue	**0.47**	1.66	0.74

Equipment Upgrade:

During the reporting period, we upgraded our equipment to conserve energy.

- Installed Grade 1 energy-efficient equipment, 500RT inverter centrifugal chiller, replaced four inverter pumps and increased the comprehensive cooling performance factor by 50%, which is expected to save 1,708 kWh per day in winter and 3,417 kWh per day in summer.

- Added two infusion type steam boilers with 98% combustion efficiency and two steam boilers with 95% combustion efficiency, all with low nitrogen emissions of below 30mg, saving a total of 3,153 tonnes of steam per year compared to traditional horizontal boilers.

500RT inverter centrifugal chiller

4T/h steam boiler

Energy Saving Management:

We saved energy daily by adjusting the temperature control range of the workshop and adjusting the lighting control to eliminate waste to the maximum extent.

- The workshop temperature was maintained at 22˚C and the temperature was raised by 1˚C (23˚C) in summer and dropped by 1˚C (21˚C) in winter.

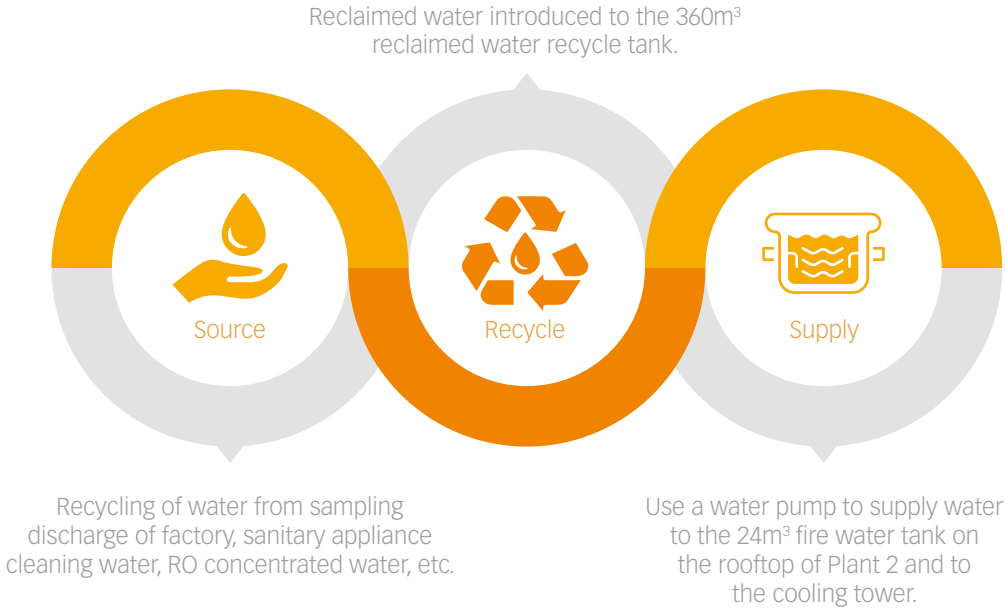
- Energy-efficient lighting was chosen. For example, automatic sensor lights were installed in corridors.

- At the end of the shift, all electrical equipment in the office area would be turned off to ensure that it did not run when not in production.

3.3.2 *Water Resources Management*

In terms of water resources management, TOT BIOPHARM follows the *Water Law of the People's Republic of China* to monitor water resources consumption and implement water reuse systems. During the reporting period, we set water resource management targets and plan to reduce water intensity by 48%~86% compared to 2021 by expanding the scale of water recycling and upgrading traditional water-using equipment to water-saving equipment in 2022 and continuously optimizing the use of water resources. During the reporting period, water intensity was 32.16 tonnes per RMB10,000 of revenue, representing a 59% reduction in water intensity compared to previous year.

Category	**Unit**	2021	2020	2019
Production and office water consumption	Tonnes	**245,457**	176,673	177,921
Reused water consumption	Tonnes	**42,560**	15,000	26,280
Intensity of water consumption in production and office	Tonnes/RMB0'000 revenue	**32.16**	78.55	39.27



TOT BIOPHARM Water Reuse System

During the reporting period, TOT BIOPHARM continued to adopt the water reuse model. The water comes from the sampling water, sanitary appliance cleaning water and RO concentrated water recovery in the workshop of Plant 2. The water was recycled and stored in a 360m^3 water recycling tank and supplied to the 24m^3 fire-fighting water tank on the rooftop of Plant 2 and cooling tower by using water pumps to increase pressure, saving a total of 42,560 tonnes of tap water for the year.

Water Reuse Equipment

3.3.3 *Material Management*

In order to save resources and reduce potential impact on the environment during the process of factory product packaging and purchased goods packaging, the Group has formulated the *Environmental Protection Package Management Procedure* to fully implement the environmentally-friendly packaging policy in the packaging design department, procurement department and using department.

TOT BIOPHARM uses hierarchical management for different types of packaging.

Package grading:

- Level I packaging: product packaging (containing sampled products).
- Level II packaging: packaging that does not contact the product directly.
- Level III packaging: transport packaging

Our principles of environmentally-friendly packaging:

Environmentally-friendly packaging principle	Approach (including and not limited to the situations listed)
Reduce or eliminate packaging materials used per unit of product	• Reduced dispersion of packaging • Use less secondary packaging • Use lightweight aluminum foil and thin paper
Use recyclable materials or reuse waste to package products	• Use recyclable cardboard boxes • Use a certain percentage of plastic bottles that can be recycled
Use materials that could be easily recycled to package	• The packaging should be designed for easy collection, separation (using composite materials) and handling • Collect and recycle materials where products are packaged
Dispose packaging materials that require landfill or incineration safely to reduce environmental hazards	• Use of packaging that does not contain hazardous substances

TOT BIOPHARM has integrated the concept of environmentally-friendly packaging into the production and operation management process.

- Design or procurement: According to the principle of environmentally-friendly packaging, assess the degree of environmental friendliness of packaging materials before design or procurement.
- Production: Sort various types of packaging and recycle packaging
- Dissemination and communication: Communicate environmental packaging results to distributors, large retailers and other stakeholders

As for the packaging of hazardous waste, during the reporting period, the Group simplified the packaging of some waste, replacing the previous double packaging of cartons and garbage bags, which could save 1.3 tonnes of cartons per year.

At present, due to the difficulty of obtaining statistics on packaging materials, we only counted the using amount of vial. In the future, with the gradual growth of production, we will further improve the statistics of packaging materials.

Category	Unit	2021	2020	2019
Vial consumption	Kilograms	**4,327.93**	1,843	3,500
Intensity of vial consumption	Kilogram/RMB0'000 revenue	**0.57**	0.82	0.77

3.4 Reduce Waste and Emission

TOT BIOPHARM strictly complied with the *Soil Pollution Discharge Law of the People's Republic of China, the Water Pollution Prevention and Control Law of the People's Republic of China, the Emission Permit Management Measures, the Air Pollution Prevention and Control Law of the People's Republic of China* and other relevant laws and regulations. During the reporting period, the Group continued to maintain the ISO 14001 environmental management system in terms of emission management, further optimized the *Exhaust Gas Management Procedure* in accordance with practice, strictly regulated the emission and disposal of pollutants, and strived to reduce various types of emissions generated during the operation and production process to reduce the negative impact on the ecological environment. In addition, we have also quantified the Group's waste reduction and emission reduction targets in accordance with the ESG disclosure requirements of the HKEX, thereby establishing specific waste reduction and emission reduction targets and the path to achieve them by 2022.

3.4.1 *Waste Management*

In terms of waste management, during the reporting period, TOT BIOPHARM's hazardous waste emission intensity was 2.52 kilograms per RMB10,000 of revenue, representing a decrease of 62% compared to last year, and its non-hazardous waste emission intensity was 14.06 kilograms per RMB10,000 of revenue, representing a decrease of 70% compared to last year. TOT BIOPHARM has set a reduction target of 42%-84% reduction in hazardous waste emission intensity (per RMB10,000 of revenue) and 55%-88% reduction in non-hazardous waste emission intensity (per RMB10,000 of revenue) by 2022, and using 2021 as the base year.

During the reporting period, for domestic waste, we set improvement targets to achieve a direct reduction of 4 tonnes of domestic waste and a 3% increase in recyclable rate. Therefore, we carried out the following measures to achieve this goal.

- Reduce office paper consumption by 3 tonnes with DMS paperless office system.
- Manage packaging materials for hazardous waste products, reducing the use of 1.3 tonnes of cartons
- Organize competition of sorting domestic garbage to improve employees' awareness and ability to sort and recycle waste. Through this activity, the recycling rate increased to 16.46% in 2021, which increased by 3% as compared with the recycling rate of 13.2% in 2020 and achieved the improvement target

Details of the Group's total waste during the reporting period compared with the data of previous years are as follows:

Category	Unit	2021	2020	2019
Hazardous waste generated	Kilograms	**19,241**	14,975	12,800
Intensity of hazardous waste	Kilograms/ RMB0'000 revenue	**2.52**	6.66	2.83
Non-hazardous solid waste generated	Kilograms	**107,275**	105,170	99,300
Intensity of non-hazardous waste	Kilograms/ RMB0'000 revenue	**14.06**	46.76	21.92
Recyclable domestic waste generated	Kilograms	**21,141**	16,000	11,000

3.4.2 *Wastewater Management*

TOT BIOPHARM strictly controlled the compliance of wastewater discharge in accordance with the *Environmental Protection Management Regulations* and constantly improved the relevant treatment facilities to prevent the discharge from being over the standard. During the reporting period, our water consumption intensity was 6.43 tonnes per RMB10,000 of revenue, representing a 59% decrease from that of last year. We have set reduction targets of 48%~86% reduction in wastewater emission intensity (per RMB10,000 of revenue) by 2022, using 2021 as the base year.

The wastewater of TOT BIOPHARM included production wastewater and domestic wastewater. For production wastewater from containers, equipment, pipes and production area cleaning, we carried out pre-treatment before it flowed into the wastewater treatment station. For domestic wastewater from the cafeteria, toilets and hand-washing sinks in office areas, we reduced the amount of wastewater generated at the source by promoting water conservation among employees and laid down regulations for the washing of cars and office supplies. In addition, we have adopted rainwater and sewage separation technology for the drainage pipe network in the field, which could keep the drainage pipes open.

During the reporting period, our wastewater discharges compared to previous years are as follows[3]:

Category	Unit	2021	2020	2019
Wastewater emissions	Tonnes	**49,091.4**	35,334.6	35,584.2
Intensity of wastewater	Tonnes/RMB0'000 revenue	**6.43**	15.71	7.85
COD in wastewater	Tonnes	**2.90**	3.25	4
Ammonia nitrogen in wastewater	Tonnes	**0.42**	0.62	1.7

[3] Wastewater emissions, COD in wastewater and ammonia nitrogen in wastewater are estimated using the coefficient method and in 2021 we retranslated the measurement coefficients to restate the indicators

3.4.3 *Exhaust Management*

The Group's exhaust treatment procedures mainly include air pollution prevention for construction projects, management of centralized exhaust emission outlets, management of exhaust generation points and handling of abnormal conditions in the process of exhaust emission. In response to the various types of air pollutants emitted by the Group, we planned to reduce emissions from fossil fuel combustion by continuing to promote electrification. During the reporting period, TOT BIOPHARM has set a target for exhaust gas emissions, requiring 100% collection and treatment of exhaust gas and 100% compliance with emission standards, which has been achieved.

During the reporting period, TOT BIOPHARM conducted a low-NO_x boiler improvement program for its Suzhou plant in May and October 2021 to replace all current steam boilers with boilers with low-NO_x combustion capabilities and change burners of hot water boilers in response to nitrogen-containing emissions from boiler combustion and organic emissions volatilized during laboratory operations. After the renovation of all boilers in the plant, a third-party organization was commissioned to test the combustion exhaust gas. The emission concentration of NO_x was lower than 50 mg/m³, which met the requirement of low NO_x emission. The NO_x emission concentration of boilers in Plant I was reduced from 79 mg/m³ to 31 mg/m³ and that of boilers in Plant II was reduced from 76 mg/m³ to 32 mg/m³ and the NO_x emission was reduced by 313.11 kilograms in 2021 after the renovation according to the calculation of operation time. During the reporting period, our emission intensity was 2,212.76m³ per RMB10,000 of revenue, a decrease of 72% over last year.

During the reporting period, the Group's emissions of exhaust gases compared with the data of previous years are as follows

Category	**Unit**	2021	2020	2019
Exhaust gas emission	m³	**16,888,925**	17,574,900	17,293,500
Intensity of exhaust gas emission	m³/RMB0'000 revenue	**2,212.76**	7,814.19	3,816.88
NO_x	Tonnes	**0.57**	1.64	0.73
SO_x	Tonnes	**0**	0	0
Particulate matters	Tonnes	**0.037**	0.069	0.029
Volatile organic compound (VOC)	Tonnes	**0.008**	0.003	0

4. GATHERING TALENTS AND LETTING THEIR POTENTIAL BLOSSOM

4.1 Diversity in Employment

4.1.1 *Employment System*

In strict compliance with laws and regulations such as *the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China and the Social Insurance Law of the People's Republic of China*, TOT BIOPHARM formulated internal documents such as *TOT BIOPHARM Employee Handbook, the Recruitment Management Measures, the Management Measures for Performance Assessment and Rewards and Punishments, the Management Measures for Transfer and Resignation, the Management Measures for Attendance and Leave, the Management Measures for Business Trips* and *the Management Measures for Compensation and Benefits*, which guarantee the rights and interests of employees in terms of fair employment, assessment and promotion and remuneration and benefits.

4.1.2 *Employment Policy*

TOT BIOPHARM adopts principle of fair and equal treatment in the process of employment and fully respects the rights and interests of female. We are firmly opposed to any discrimination due to gender, age, cultural background, and religious belief. Besides, we are determined to eradicate child labour and forced labour. During the reporting period, there is no violation relating to the use of child labour or forced labour in TOT BIOPHARM. Meanwhile, TOT BIOPHARM strictly complied with *the Provisions on The Prohibition of Child Labor* published by the Decree of the State Council No. 364 and formulated policies about avoidance of using child labour and labour policy. In the early process of employment, TOT BIOPHARM strictly control the recruitment to avoid hiring minors under the age of 16. In addition, we never require employees under the age of 18 to work overtime or work on the night shift.

TOT BIOPHARM ensures that all work is done voluntarily by employees. We strictly prohibit the detaining of identification or travel documents that issued by the government to the employees, and to make sure that terms of employment are stated clearly using language that employees could understand in the contract. We do not impose any unreasonable restrictions on activity in the workplace or access to facilities provided by TOT BIOPHARM.

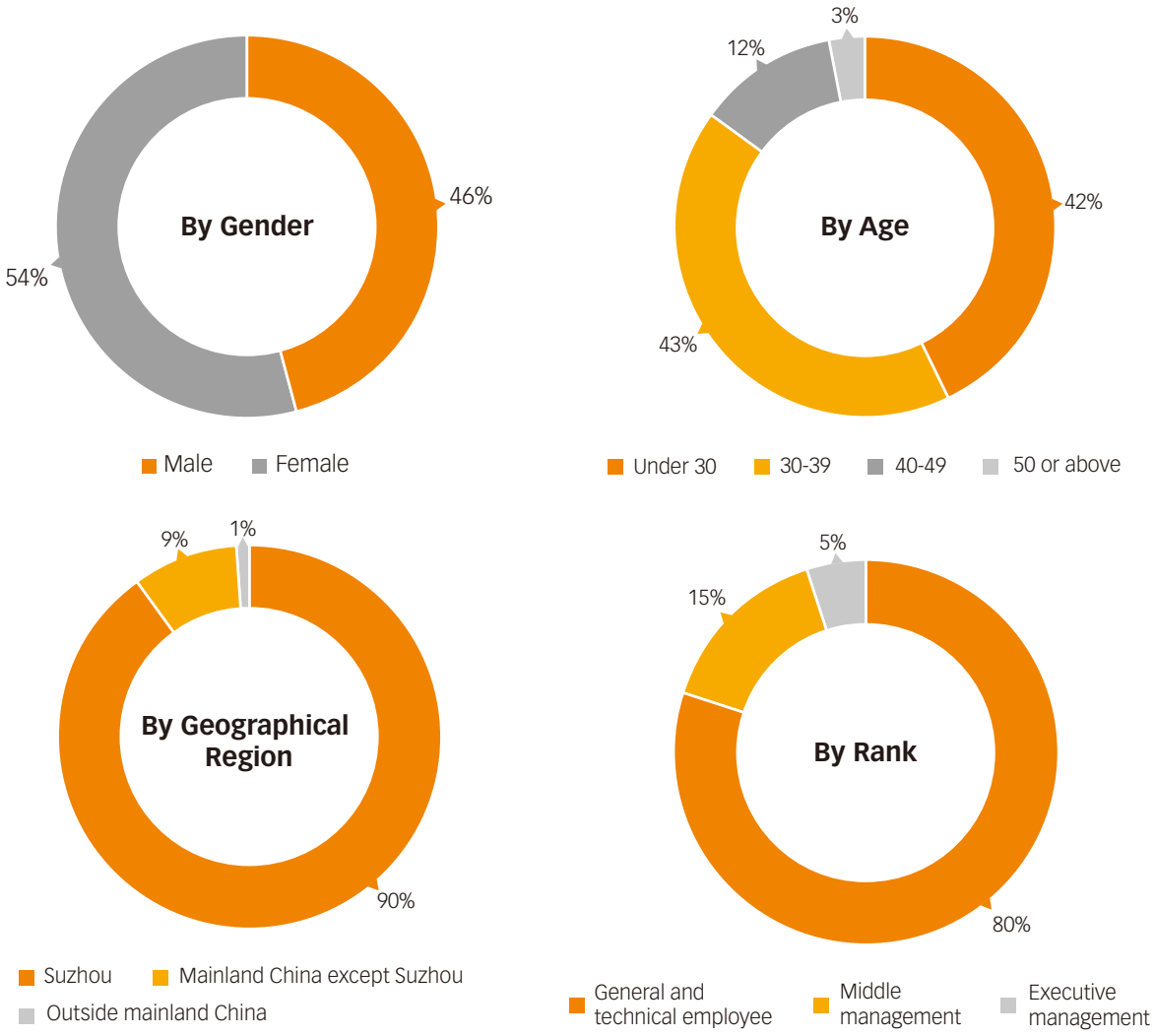
4.1.3 *Employee Recruitment*

TOT BIOPHARM explored diversified recruitment channels actively, combined with campus recruitment, talent market recruitment, and internal staff recommendation and other methods to recruit talents for the realization of the enterprise vision. During the process of recruitment, we considered whether the moral value of the applicants is compatible with the philosophy and culture of our Group as an important indicator for inspection to ensure the steady and sustainable development of the enterprise. Meanwhile, we acted in accordance with our *Recruitment Management Measures*, laid down *Measures for the administration of prohibition of discrimination* and establish special compliant Email for employees to lodge their complaints. If discrimination and harassment are proven to exist, we immediately flag that to the management to discuss and resolve the issue. Employees suffering from discrimination or harassment are re-evaluated and remedied in a fair and impartial manner. The identity of the whistleblower and the content of the report are kept strictly confidential. During the reporting period, we have not found any discrimination incidents. In the future, we will work together with all employees to build a harmonious labor relationship. We ensure that the recruitment process is transparent, fair, just and non-discriminatory.

4.1.4 *Structure of Employee*

As of December 31, 2021, the total number of employees of TOT BIOPHARM was 337, 100% of whom were full-time employees, of which 182 were female employees, accounting for 54%, and 155 were male employees.

The total workforce by gender, type of employment, age, region and rank category are as follows:

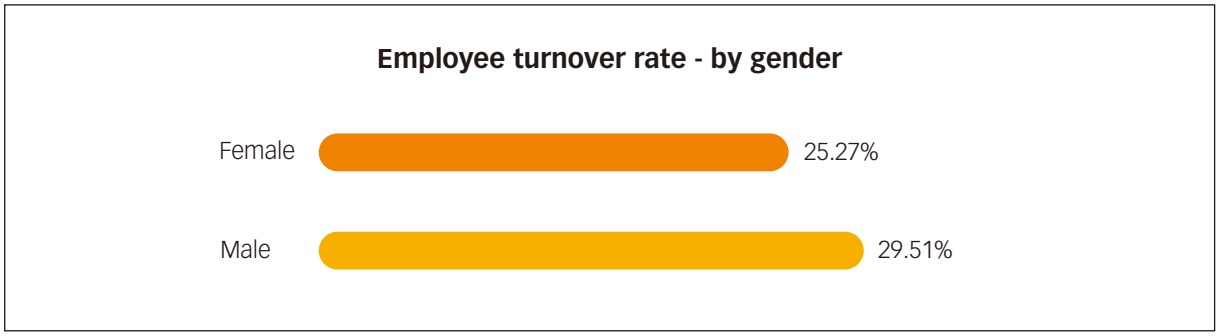


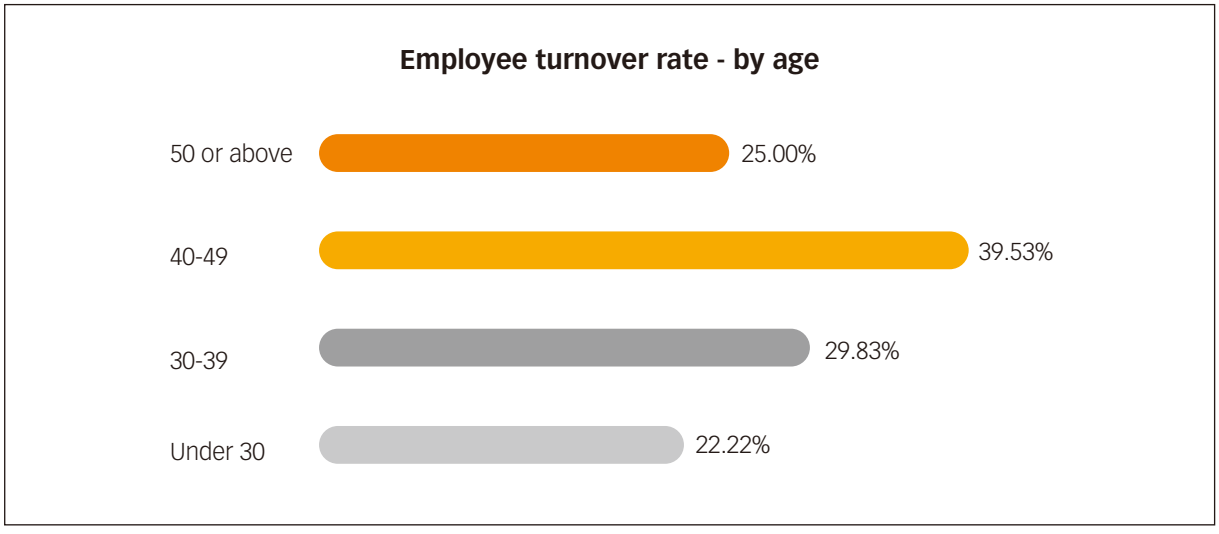
4.2 Employee Retention

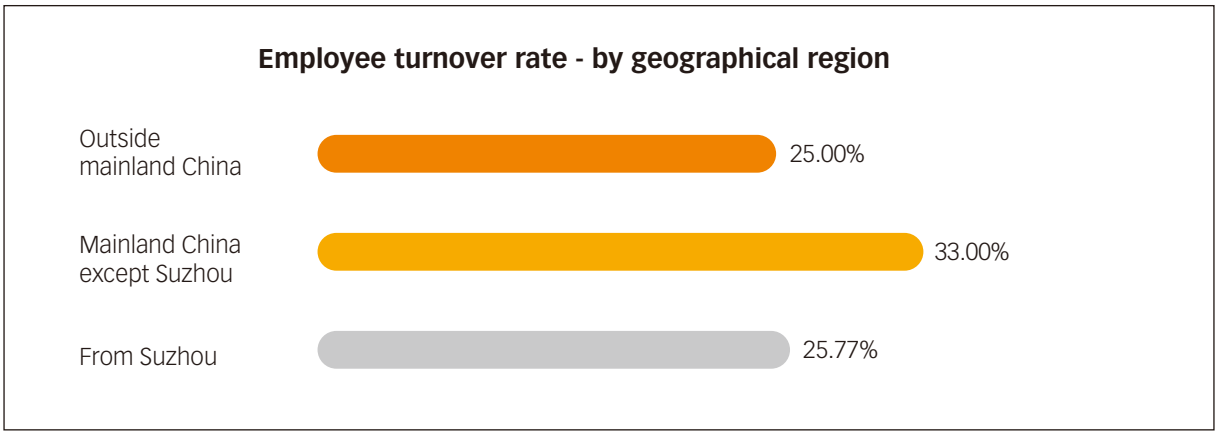
TOT BIOPHARM improves the incentive system and establishes the project bonus system by optimizing the benefits of working overtime and working on duty, giving awards and bonuses to employees who make outstanding contributions to complete the performance indicators of the department, and awarding employees immediately. We signed medium to long-term bonus incentive and equity incentive measures with core colleagues and introduced non-compete clauses into labor contract to improve the retention rate and satisfaction of employees.

TOT BIOPHARM has established a long-standing colorful cultural life mechanism, such as TOT BIOPHARM Lecture Room, TOT BIOPHARM Reading Club, birthday party and other activities regularly or irregularly to enrich the leisure time of employees and eliminate their fatigue, so as to improve the relationship between employees and the enterprise. TOT BIOPHARM has improved the dining standards of employees by strengthening the training and assessment of supplier and setting up a 'Catering Committee' to fully listen to employees' opinions and provide the feedbacks to suppliers so that they could make adjustments according to the demands.

The employee turnover rate by gender, age and geography are as follow:



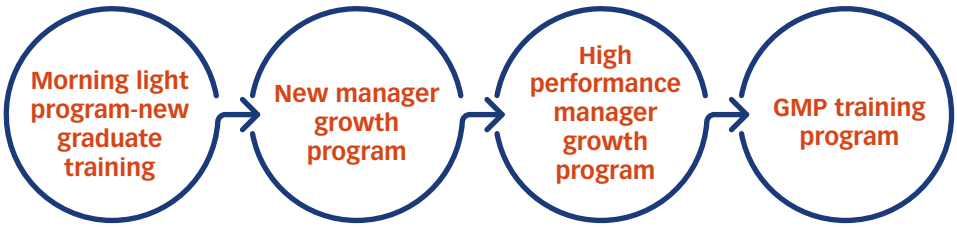




4.3 Development of Employee

4.3.1 *Training System*

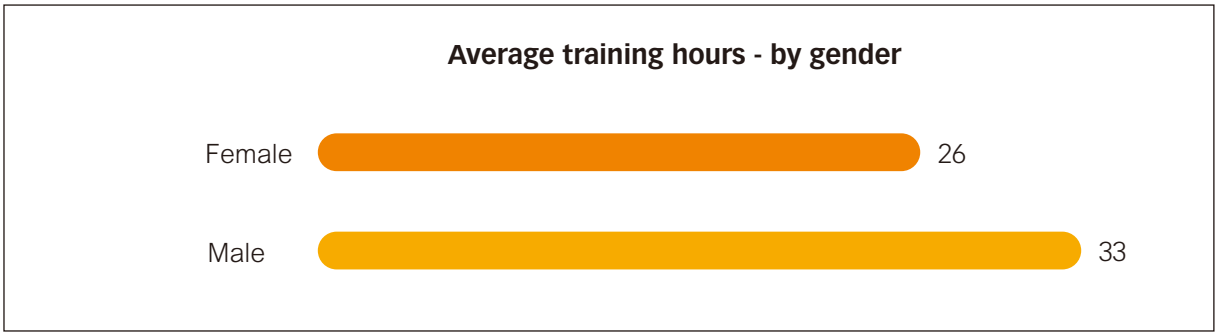
TOT BIOPHARM has taken each employees' career planning extremely seriously. To make sure to achieve the best learning outcomes, we did most to create an ideal learning environment and atmosphere to motivate employees' enthusiasm. We have established a diverse talent training system covering the entire workforce, so that the Group is always motivated to learn and improve, helping employees and the Group to grow.

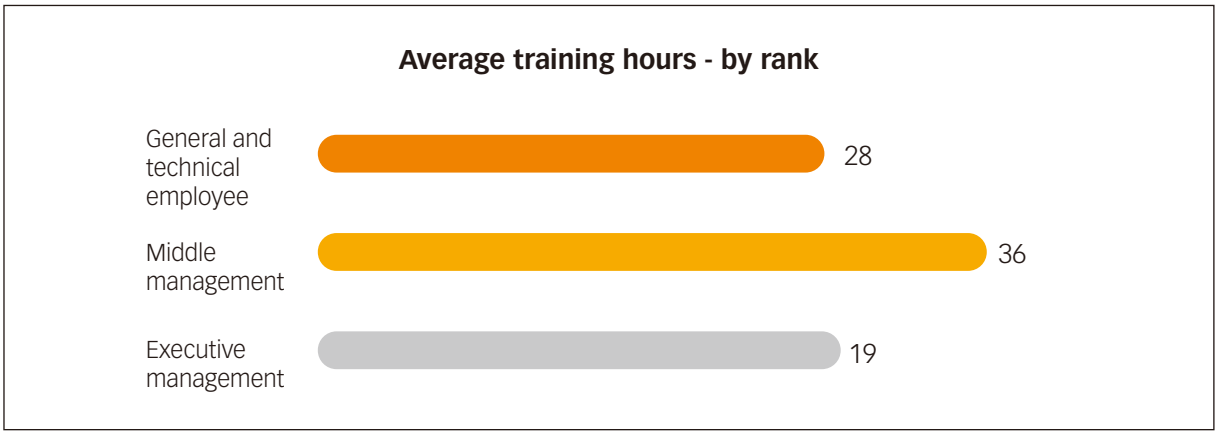


Training system of the Group

During the reporting period, total training hours of employees were 9,790 hours. The average number of training hours was 29 hours per employee per year. Our training covered all employees. The proportions of training received that ranged by gender and rank were all 100%.

The average training hours by gender and position are as follow:





4.3.2 *Targeted Empowerment of Employees*

We had attached great importance and made great efforts to talents development and employees' career development plan. To enhance the development of pharmaceutical industry of China, we promoted the implementation of the cooperation called 'Pharmacy Senior Training Class' between colleges and enterprise. Meanwhile, we set up policies such as 'Industry University Research Collaborative Education Award' through active collaboration with colleges to encourage employees to improve their knowledge reserve, which are beneficial to both themselves and the enterprise. In addition, we mainly adopted various training methods, such as on-the-job self-learning, combined with centralized training, mentor training, participation in academic exchanges and further education. In order to enhance the competitive advantage of employees in product development, product launch and business ability, we have launched various courses such as ADC talent training program, CDMO project management talent training, DOE (Design Of Experiment) training, product launch and business ability enhancement, etc., to encourage employees to master popular skills to meet the current and future job needs.

Case Study: ADC Talent Training Program

To coordinate with TOT BIOPHARM's ADC development strategy and enhance the competitive advantage of ADC talents, we carried out ADC Talent Training Project by improving basic capabilities of junior employees, supporting individualized study of high-end talents, conducting internal practice study and discussion, introducing professional courses by industry's experts, and providing international exchanging and learning to train diversified and comprehensive ADC talents. In the aspect of improving the basic capabilities of junior employees, we provided ADC basic courses through our online study platform, carried out regular internal study communication and introduced external learning recourses. In addition, during the reporting period, we organized 4 trainings on *ADC Drug Quality Study* and 2 trainings on *CMC Requirements for China-US IND Application of ADC Drugs* to improve employees' basic capabilities. In terms of supporting high-end talents, we encouraged them to participate in the online ADC International Conference that were held in the US in October 11-14, 2021, to learn more about international leading-edge industry information. To promote all staff to have a comprehensive understanding of ADC cognition, we invited Dr. Huang Peng to share about 'Progress in ADC Drug Development – The Past Decade' on January 29, 2021, through the TOT BIOPHARM Lecture Room.

4.3.3 *Employee Promotion*

TOT BIOPHARM continues to implement the "three-track" employee promotion mechanism. To improve employees' enthusiasm, we provided fair and equal promotion channels in three directions of management, profession and project. We defined the ranking and the criteria of promotion in each track, so that any employee who meets the requirements could choose the corresponding promotion direction in accordance with their own development goals.

4.4 Commitment to Employee Care

Compensation and Benefits: We are committed to providing our employees with the best compensation and benefits system among our peer companies, and provide them with leave arrangements and holiday benefits that are better than those required by law, while ensuring that other statutory benefits can be implemented. Supplementary benefits include additional supplemental medical insurance and annual medical check-ups, and in 2021, we have enhanced and introduced occupational medical check-ups and annual welfare check-ups in parallel.

Performance incentive: We implement a performance-oriented incentive mechanism, including annual performance bonus, annual salary adjustment, project bonus, etc. During the reporting period, we kept optimizing our employee compensation management model. In 2021, we enhanced overtime and on-duty benefits, introduced project bonus incentive, and promoted post-listing equity-based incentive plan.

Employee's rights and interests: Completing the communication channels is the direct method to show TOT BIOPHARM's cares towards its staff. We set up a suggestion box to hear the voice from employees and give them feedback immediately. In addition, we set up the labor union to guarantee the lawful rights and interests of employees, built harmonious labor relations, and stimulated the vitality of employees.

Employee satisfaction: In order to improve the administrative support system and provide better service, TOT BIOPHARM actively carried out annual employee satisfaction survey and timely summarized the findings. As of December 30, 2021, there were 106 people participated in the survey with an average score of 9.29 out of 10. In the future, we will gradually expand the satisfaction survey about different aspects of the Group for employees, fully listen to the voice from employees, establish an open and liberal environment, and make employees and the enterprise a family.

4.5 Work Healthily

4.5.1 *Production Safety*

TOT BIOPHARM aims to become an anti-cancer pharmaceutical enterprise that could balance humanity and science and technology. We take employees' physical and mental health as a key pillar of our development. We strictly abide by the laws and regulations that related to occupational health and safety and improve our internal mechanisms through multiple channels to ensure the health and safety of employees.

TOT BIOPHARM strictly complied with the *Production Safety Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Special Equipment Law of the People's Republic of China, the Law of the People's Republic of China on Prevention and Control of Occupational Diseases,* and *the Regulation on Work-Related Injury Insurances*. We also established 30 production safety standards and 7 occupational health related standard management procedures, such as the *Chemicals Storage Management Measures, Labor Protection Articles Management Regulations,* and *the Contractor EHS Management Procedures* to continuously optimize the system protection.

March 8 Goddess Festival Activities

Marathon Activities

During the reporting period, we carried out internal audit of safety standardization and 13 elements of standardization have been reviewed one by one. The safety standardization meet the three-level operation requirements and can be continuously improved. Meanwhile, during the reporting period, we have also made improvements in chemical safety management, emergency management and other aspects.

13 elements of safety standardization

1. Production safety targets	2. Organizational structure and responsibilities	3. Organizational structure and responsibilities	4. Laws, regulations and safety management system
5. Safety education and training system	6. Production equipment and facilities	7. Security of work	8. Risk identification and management
9. Monitor major hazard sources	10. Occupational health	11. Emergency rescue	12. Accident reporting, investigation and handling
13. Performance evaluation and continuous improvement			

In addition, while maintaining the safety standardization operation, we also continued to build and operate the 'Dual Prevention Mechanism' during the reporting period. The core of this mechanism is the risk classification control and hidden danger investigation and management, and the two complement one and another and directly deal with the core of safety management. Our Dual Prevention Mechanism is led by EHS with full participation of all employees. We have created a safety learning culture within the Group and conducted safety training for all employees. We hold a safety week with the theme of "Chemical Safety", published monthly ESG newsletter for all employees on a regular basis, and conducted emergency drills to enhance employees' safety awareness and emergency response capabilities.

The activity of Chemical Safety Week of TOT BIOPHARM

4.5.2 *Occupational Health*

TOT BIOPHARM constantly improves not only the employee health and safety production responsibility system, but also the safety management of contractors and their employees. We give top priority to the occupational health of our employees and make every effort to ensure the occupational health of our employees by methods including annual occupational health examination, personal protective equipment and occupational health training.

During the reporting period, we achieved the goal of zero injury accident of both our employees and contractors. Moreover, the implementation rate of occupational health monitoring and the implementation rate of three-level safety training for new employees both reached 100%. There was no work-related incident occurred in the reporting period.

In 2021, TOT BIOPHARM continued the use of the original system and ensured the daily supervision and management of personal protective equipment and the normal operation of engineering facilities in the workplace. In May 2021, we commissioned a third party to complete the annual on-site monitoring of occupational hazard sites, and all the results of occupational hazard factors were in compliance with the national occupational health standards. In June of the same year, the annual occupational health physical examination of the staff was completed, and the health monitoring results showed that there was no occupational disease or suspected occupational contraindications.

To pay attention to employees' physical and mental health, we cooperate with external physical examination institutions every year to customize various physical examination packages for employees and invite professional lecturers to interpret the examination reports so that our employees could pay attention to their physical conditions and health. Except from social insurance, we also provide supplementary medical insurance to our employees.

Moreover, we paid high attention to employees' physical and mental health so that we held psychological and physiological health lecture each year. On March 8, 2021, we invited professional psychological consultants to carry out a lecture of 'Happiness Preservation'. On June 18, 2021, orthopedic surgeons from Suzhou Ninth People's Hospital were invited to share about orthopedic health and provide free diagnosis to employees.

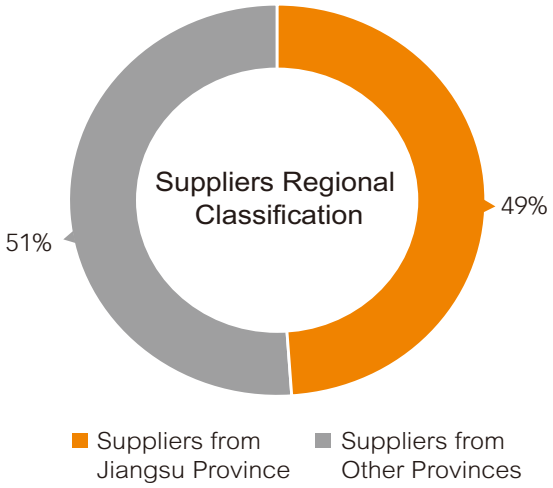
5. GIVING BACK TO SOCIETY AND SPREADING TOT BIOPHARM'S LOVE

5.1 Collaborative Supply Chain

To implement the sustainable management of supply chain is an important part to complete the sustainable development management system of TOT BIOPHARM. Our supply chain management is mainly reflected in three aspects–selecting, reviewing and communicating. In the aspects of selecting and reviewing, we established internal administrative documents such as *the Procurement Management Rules, the Supplier Management Rules, the Contractor EHS Management Procedures* and others to regulate suppliers' qualification requirements, admittance standards and procurement standards to continuously improve the supply chain sustainable development system. Meanwhile, we also promoted communications and deepened understanding with suppliers actively, organized supplier training when necessary, and strive to promote the harmonious development of the whole industry chain.

5.1.1 *Procurement Management*

By the end of the reporting period, there are 1,096 suppliers of TOT BIOPHARM, among which 536 suppliers are from Jiangsu Province, which accounted for 49%, and 560 suppliers are from other provinces, which accounted for 51%. In the aspect of procurement management, we established the *Procurement Plan* to regulate the procurement projects and optimize the procurement process. During the reporting period, we particularly strengthened the emergency procurement and prevention of corruption in the procurement process to maintain the stability and compliance of procurement work. In the case of emergency procurement, we laid down the *Project Approval Form* and *Application Form for Emergency Procurement* to replenish the shortage of raw materials in a timely manner and ensure a stable supply of medicines. To prevent corruption, we have added relevant clauses to contracts about equipment, stipulating that supplier cannot obtain business by bribery or other unfair means of competition.



The procedure of supplier procurement management

5.1.2 *Classification of Suppliers*

To ensure the supplier management documents could be fully adapt to the specific situation of each supplier, we classified suppliers into three classes in accordance with the relevance between the goods supplied by suppliers and TOT BIOPHARM's main business, which is the development and manufacture of drug. The three classes are materials that have a direct impact on product quality, materials that have a direct impact on production process, and materials that have an indirect impact on products and production process. We classify suppliers to improve the efficiency of supplier selection and supervision and promote healthy competition among suppliers.

Hierarchical management of suppliers of materials

Class A materials	Materials that have a direct impact on product quality
Class B materials	Materials that have a direct impact on the production process
Class C materials	Materials that have an indirect effect on a product or production process

5.1.3 *Supplier Admittance*

To ensure that we can provide consumers with safe and reliable products, in selecting suppliers, we delivered questionnaires to suppliers and audited on-site to collect relevant materials. According to the *Procurement Management Regulations and the Supplier Management Regulations*, we set up strict access standards and carried out the policy of selecting the best to control the quality of product at source.

Supplier qualification requirements

Supplier qualification requirements	Details
Have relevant legal certificate	Following the requirements of national regulations, relevant departments, related industries or operation centers, the suppliers must possess quality, safety and environmental review, as well as other production, supply and operation licenses or qualification documents and must meet other requirements under law and regulations.
Good business reputation and ability to fulfill contract	No illegal records or major legal disputes in recent three years; Have the ability to fulfill the contract, good financial status, business performance and after-sales service ability.
Have perfect quality assurance system	No disqualification or illegal issue in the supervision process of national, industry, operation center and local government qualification supervision in recent three years.

TOT BIOPHARM combined the supplier classification systems, with different admittance standards to different suppliers, which made the supplier management of TOT BIOPHARM steadier.

Category	Details
All suppliers	*Integrity Commitment* needs to be signed by all suppliers
GMP raw materials and accessories, GMP consumables	General company information (business license, account opening information, etc.); pharmaceutical manufacturing license; GMP/GSP related certification; test data report that meets our requirements, etc.
Pharmaceutical industry production equipment suppliers (including software)	Rich customer base in the industry, track record, cutting-edge experience in the industry, with more cutting-edge technology and equipment design concepts for future reference ability, to reduce the replacement rate of equipment, reduction of the purchase cost of fixed assets, etc.
Basic construction suppliers	Paying special attention to the strength of the validation team and technical team.

5.1.4 *Supplier Audits*

In order to maintain the quality of the suppliers above the standards that set by TOT BIOPHARM, we have also established strict supplier audit procedures after the suppliers have been selected and started to provide raw materials and other goods for the group.

We audited the suppliers every quarter of a year, which was led by the Quality Management Department and participated by the user department, technical department and EHS department, evaluated the price, delivery time, quality, and other dimensions of suppliers comprehensively and adopted an elimination mechanism for unqualified suppliers. During the reporting period, 200 written audits and 27 on-site audits were carried out on the suppliers.

We encouraged suppliers to complete the construction of environmental and quality management systems and obtain third-party management system certification. During the reporting period, there were 10 suppliers who passed the ISO 14001 certification and 19 suppliers passed the ISO 9001 certification.

Supplier audit method of TOT BIOPHARM:

- Quarterly assessment of suppliers: Procurement, warehousing and QA departments access the supplier's cost, delivery time, quality and other cooperation degree, and give the corresponding cooperation strategy after comprehensive scoring;
- The QA departments lead the audit of raw and auxiliary materials suppliers, score suppliers based on the on-site management, quality management, document management and other aspects, then give comprehensive suggestions for future cooperation;
- Hierarchical management of material criticality;
- In the case of further use of suppliers, which were not cooperated with us for more than two years, evaluation and access process for new supplier are applicable, thereby ensuring that it meets our requirements.

5.1.5 *Communication with Suppliers*

Apart from the selection and audit of suppliers, enhancing flexible communication with suppliers is also an important part of establishing a sustainable and reliable supply chain for TOT BIOPHARM.

During the reporting period, we strengthened proactive communication with our suppliers to proactively guard against possible supply chain risks arising from the COVID-19 outbreak and changes in overseas import and export policies.

Our measures included:

- Increase the frequency of communication and negotiation with suppliers to ensure smooth completion of projects and purchases during the collaboration period
- Develop procurement plans in advance to allow sufficient time to meet subsequent project requirements
- Increase supplier diversification and develop nationalized alternatives

Our communication channels with suppliers includes not only daily communication but also training programs for suppliers. During the reporting period, the training programs for suppliers mainly focused on the safety knowledge and operation key points before infrastructure construction, such as safety training relevant to the construction of the Global R&D Center which was aimed to improve the safety awareness and operation standard of suppliers' employees.

5.2 Serve for Social Development

While developing itself, TOT BIOPHARM also strengthened communication and cooperation with the government to seek consensus on development. We utilized our expertise or technical advantages to participate in the solution of social problems and promote social development. During the reporting period, we obtained approval and praises from various parties.

Case Study: ADC products obtained the scientific and technological achievements transformation special funds of Jiangsu Province

In November 2021, Department of Finance and Department of Science Technology of Jiangsu Province announced the establishment of the 2021 Provincial Fund for the Conversion of Scientific and Technological Achievements. ADC TAA013 was selected for the Provincial Conversion of Scientific and Technological Achievements and obtained the government financial support.

The Fund for the Conversion of Scientific and Technological Achievements of Jiangsu Province is the project under the fiscal budget of Jiangsu Province to support the industrial transformation of enterprises' innovation achievements, which attracted lots of attention due to the high technology content of selected project and its strong support.

The selection of TAA013 products as the provincial scientific and technological achievement transformation special project, reflected the technological advantages of TOT BIOPHARM in the antibody drug conjugate field. Meanwhile, it represents the recognition of our technological innovation and product development from the government.

Case Study: TOT BIOPHARM won the 'Outstanding Contribution Award for Steady Growth of Foreign Capital (Capital Increase Project)'

On September 28, 2021, the Suzhou Government held the 2021 Exchange Activity between Suzhou and multinational companies and the honorary title awarding ceremony of Suzhou non-city personage, to commend the iconic and leading contributions of foreign investors and enterprises from Hong Kong, Macao and Taiwan for economic development of Suzhou in 2020. TOT BIOPHARM won the award of 'Outstanding Contribution to Steady Growth of Foreign Capital (Capital Increase Project)'.

5.3 Caring about the Society

5.3.1 *Fight Against COVID-19*

Under the situation that COVID-19 became normalized, in 2021, TOT BIOPHARM controlled the movement of people strictly in accordance with the changes of local epidemic policies and carried out prevention and control measures effectively, distributed masks and epidemic prevention items to all staff on a regular basis. In April, we responded the call for taking vaccine against COVID-19 from sanitary agency of Suzhou Province, organized two batches of employees to be vaccinated. Despite the severe epidemic situation, we remained focus and positive and maintained our care for our employees. By the end of the reporting period, after comprehensive assessments by our Directors and management, there was no significant impact on our operation and sustainable development caused by COVID-19.

Plant epidemic prevention

5.3.2 *Public Welfare*

In the spirit of 'caring for life, caring for health, caring for humanity and caring for society', adhering the business philosophy of 'balance of humanities, science and technology', TOT BIOPHARM are always sticking to the vision of improving the quality of life of cancer patients around the world with innovative technologies. We initiated and participated in community and public welfare activities, fulfilled our social responsibility, spread love and care, and strived to achieve greater social value. In accordance with our Donation Management Measures, we standardized donation behavior, clarified the scope of donation and examination and approval items, and strengthened the management of donation, so that we could better fulfill social responsibilities and civic obligations and effectively enhance the brand image of TOT BIOPHARM.

During the reporting period, we focused on charity and social assistance. Besides, we continued to communicate and support anti-cancer organizations and associations to arouse employees' awareness of social responsibility and expand our social influence.

Case Study: Caring for children's growth

On September 21, 2021, TOT BIOPHARM donated school bags and other study supplies to 280 students from the Central Primary School of Dagun Town, Dege County, Ganzi Tibetan Autonomous Prefecture, Sichuan Province, costing RMB14,500 in total. On September 17, 2021, TOT BIOPHARM, jointed with the Information Command Center of Suzhou Public Security Bureau, visited Special Education School of Xiangcheng, Suzhou. We donated 10 African drums to the school club 'Happy Drum' to help those children in need to grow up healthily.

Case Study: Caring for cancer patients

On June 25, 2021, through Beijing Love Book Cancer Foundation, we donated RMB250,000 to cancer patients and former patients, which could benefit 121 group member units from 27 provinces and cities. In October 2021, we participated in the 8th Global Chinese Breast Cancer Organizations Alliance Conference and encouraged our staff to participate in the online gymnastics challenge to raise public awareness of breast cancer and our employees' awareness to the importance of physical exercise.

2021 Company Awards

APPENDIX
Databank

Category	Unit or Category	2021	2020	2019
Environmental				
Energy Consumption				
Consumption of purchased electricity	KWh	**12,992,420**	12,252,663	11,026,380
Natural gas	m^3	**1,608,469**	1,673,800	1,647,000
Diesel fuel	Liters	**200**	100	500
Direct energy consumption	Tce	**1,953**	2,229	2,000
Indirect energy consumption	Tce	**1,597**	1,504	1,355
Total energy consumption	Tce	**3,550**	3,733	3,355
Energy consumption intensity	Tce/ RMB0'000 revenue	**0.47**	1.66	0.74
Waste				
Hazardous waste generated	Kilograms	**19,241**	14,975	12,800
Intensity of hazardous waste	Kilograms/ RMB0'000 revenue	**2.52**	6.66	2.83
Non-hazardous solid waste generated	Kilograms	**107,275**	105,170	99,300
Intensity of non-hazardous waste	Kilograms/ RMB0'000 revenue	**14.06**	46.76	21.92
Recyclable domestic waste generated	Kilograms	**21,141**	16,000	11,000
Wastewater[4]				
Wastewater emissions	Tonnes	**49,091.4**	35,334.6	35,584.2
Intensity of wastewater	Tonnes/ RMB0'000 revenue	**6.43**	15.71	7.85
COD in wastewater	Tonnes	**2.90**	3.25	4
Ammonia nitrogen in wastewater	Tonnes	**0.42**	0.62	1.7
Water consumption				
Production and office water consumption	Tonnes	**245,457**	176,673	177,921
Reused water consumption	Tonnes	**42,560**	15,000	26,280
Intensity of production and office water consumption	Tonnes/ RMB0'000 revenue	**32.16**	78.55	39.27

[4] Wastewater emissions, COD in wastewater and ammonia nitrogen in wastewater are estimated using the coefficient method and in 2021 we retranslated the measurement coefficients to restate the indicators

Category	Unit or Category	2021	2020	2019
Packaging material				
Vial consumption	Kilograms	**4,327.93**	1,843	3,500
Intensity of vial consumption	Kilogram/ RMB0'000 revenue	**0.57**	0.82	0.77
Greenhouse gas[5]				
Scope I GHG emissions	tCo_2e	**4,722**	5,075	3,562
Scope II GHG emissions	tCo_2e	**10,291**	9,693	7,757
Total GHG emissions (Scope I + Scope II)	tCo_2e	**15,014**	14,769	11,319
GHG emission intensity	tCo_2e/RMB0'000 revenue	**1.97**	6.57	2.50
Exhaust gas				
Exhaust gas emission	m^3	**16,888,925**	17,574,900	17,293,500
Intensity of exhaust gas emission	m^3/RMB0'000 revenue	**2,212.76**	7,814.19	3,816.88
NOx	Tonnes	**0.57**	1.64	0.73
SOx	Tonnes	**0**	0	0
Particulate matters	Tonnes	**0.037**	0.069	0.029
Volatile organic compound (VOC)	Tonnes	**0.008**	0.003	0

[5] In 2021, we re-inventoried our GHG emissions in accordance with ISO 14064-1. The previous greenhouse gas emissions of 2019 and 2020 were only included direct emissions from fossil fuels and indirect emissions from outsourced electricity, which did not include emissions from production processes and refrigerant emissions. In the ESG Report, the data of 2020 are restated.

Category	Unit or Category	2021	2020	2019
Social				
Employment and diversity				
Number of employees	Total number	**337**	368	326
Employee by gender	Female	**182**	209	150
	Male	**155**	159	176
Employee by age	Under 30 years old	**140**	142	125
	30-39 years old	**146**	187	163
	40-49 years old	**40**	30	30
	50 years old or above	**11**	9	8
Employee by education background	Doctor's degree	**10**	6	6
	Master's degree	**80**	93	79
	Bachelor's degree	**177**	211	190
	College's degree	**58**	53	44
	Under college's degree	**12**	5	7
Employee by type of employment	Full-time	**337**	368	326
	Part-time	**0**	0	0
Employee by rank	Executive management	**16**	18	17
	Middle management	**52**	59	48
	General and technical employee	**269**	291	261
Employee by geographical region	From Suzhou	**302**	277	242
	Mainland China except Suzhou	**32**	87	80
	Outside mainland China	**3**	4	4

Category	Unit or Category	2021	2020	2019
Employee turnover rate[6]				
Employee turnover number	Total number	**143**	38	26
Employee turnover rate	Turnover ratio	**27.24%**	9.25%	7.45%
Employee turnover rate by gender	Female	**25.27%**	6.73%	–
	Male	**29.51%**	12.57%	–
Employee turnover rate by age	Under 30 years old	**22.22%**	8.38%	–
	30-39 years old	**29.83%**	9.63%	–
	40-49 years old	**39.53%**	15.63%	–
	50 years old or above	**25.00%**	0.00%	–
Employee turnover rate by geographical region	From Suzhou	**25.77%**	9.54%	–
	Mainland China except Suzhou	**33.00%**	9.18%	–
	Outside mainland China	**25.00%**	0.00%	–
Occupational Health and Safety				
Total working hour	Hours	**536,069**	472,732	–
Number of work-related injury	Number of person-times	**0**	0	0
Number of work-related casualty	Number of people	**0**	0	0
Number of lost day due to work-related injury	Number of days	**0**	0	0
Number of occupational diseases	Number of person-times	**0**	0	0
Occupational disease rate	%	**0**	0	0
Total hours of EHS training[7]	Hours	**930**	1,260	–
Average hours of EHS training	Hours	**3**	4.50	–
Total EHS training attendance by employees	Number of person-times	**1,260**	1,999	–

[6] The staff turnover rate calculation formula used is as follow: number of dismission (people) of a specific group in the reporting period/(total number of employees (people) of the group at the beginning of the reporting period + number of new recruits (people) of the group throughout the year)*100%

[7] In 2021, we identified duplication of training hours in our previous statistics, and we revised our methodology in 2021, resulting in a decrease compared to information disclosed in the 2020 report.

Category	Unit or Category	2021	2020	2019
Employee Training				
Total investment in employee training	RMB	**650,542**	546,412	904,351.60
Total hours of employee training	Hours	**9,789.63**	8,148.28	7,541
Percentage of trained employees	Total	**100%**	99%	99%
	Female	**100%**	100%	–
	Male	**100%**	98%	–
	Executive management	**100%**	83.33%	100%
	Middle management	**100%**	100%	100%
	General and technical employee	**100%**	100%	99%
Average training hours per person	Total	**29.05**	22.14	23.13
	Female	**25.93**	22.95	–
	Male	**32.71**	21.08	–
	Executive management	**18.50**	10.48	15.38
	Middle management	**36.26**	29.77	52.61
	General and technical employee	**28.28**	21.32	18.22

Category	Unit or Category	2021	2020	2019
Supplier management				
Total number of suppliers	Number	**1,096**	400	302
Suppliers by geographical region	Jiangsu Province	**536**	180	169
	Outside Jiangsu Province	**560**	220	133
Percentage of suppliers signing the Integrity Commitment during the reporting period	Ratio	**100%**	100%	100%
Suppliers certified by ISO 14001	Number	**10**	–	–
Suppliers certified by ISO 9001	Number	**19**	–	–
Product Responsibility				
Number of complaints about products and services	Number	**0**	–	–
Safety and health related recall	Number	**0**	–	–
Anti-corruption				
Number of cases involving corruption	Number	**0**	0	0
Intellectual property rights				
The total number of valid patents/trademarks obtained	Invention patents	**14**	22	13
	Utility model patents	**4**	4	2
	Design patents	**0**	–	–
	Trademarks	**278**	186	130

List of Major Applicable Laws and Regulations

This section sorts and lists out the major laws and regulations that are applicable to the Group in the order of the ESG index in accordance with the requirements as stipulated in "the relevant laws and regulations that have a significant impact on the issuer" within "General Disclosure" of the HKEX guidelines.

Category	Laws and Regulations
Laws and regulations related to environmental protection	Environmental Protection Law of the People's Republic of China
	Environmental Protection Tax Law of the People's Republic of China
	Water Law of the People's Republic of China
	Water Pollution Prevention and Control Law of the People's Republic of China
	Law of the People's Republic of China on the Prevention and Control of Pollution from Environmental Noise
	Law on the Prevention and Control of Environmental Pollution Caused by Solid Waste
	Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution
	Law of the People's Republic of China on Appraising of Environment Impacts
	Cleaner Production Promotion Law of the People's Republic of China
	Circular Economy Promotion Law of the People's Republic of China
	Integrated Emission Standard of Air Pollutants
	Integrated Wastewater Discharge Standard
	Emission Standards for Odor Pollutants
	Emission Standard for Industrial Enterprises Noise at Boundary
	Noise Limits for Construction Site
Laws and regulations related to labor	Labor Law of the People's Republic of China
	Labor Contract Law of the People's Republic of China
	Production Safety Law of the People's Republic of China
	Special Equipment Safety Law of the People's Republic of China
	Law of the People's Republic of China on the Protection of Women's Rights and Interests
	Law of the People's Republic of China on the Prevention and Control of Occupational Diseases
	Social Insurance Law of the People's Republic of China
	Trade Union Law of the People's Republic of China
	Regulation on Work-Related Injury Insurances
	Regulation on Emergency Responses to Work Safety Accidents
	Provision on the Prohibition of Using Child Labor

Category	Laws and Regulations
Laws and regulations related to product responsibility	Trademark Law of the People's Republic of China
	Patent Law of the People's Republic of China
	Law Of The People's Republic Of China On The Administration Of Drugs
	Biosecurity Law of the People's Republic of China
	Regulations on the Management of Human Genetic Resources of the People's Republic of China
	Regulations for the Implementation of the Drug Administration Law of the People's Republic of China
	Good Clinical Practice of Pharmaceutical Products
	Provisions for Drug Registration
	Good Manufacture Practice of Medical Products
	Standard Management Regulations for Handling Drug Complaints
	Drug Recall Standard Management Procedures
	Provisions for Drug Directions and Labels
	Title 21 – Food and Drugs of Code of Federal Regulations of the United States
	Food, Drug, and Cosmetic Act of the United States
Laws and regulations related to anti-corruption and corporate governance	Anti-Unfair Competition Law of the People's Republic of China
	Anti-Money Laundering Law of the People's Republic of China
	Anti-Monopoly Law of the People's Republic of China
	Company Law of the People's Republic of China
	Securities Law of the People's Republic of China
	Interim Provisions on Banning Commercial Bribery
	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
	Code of Corporate Governance for Listed Companies in China
	Basic Norms for Enterprise Internal Controls
	Labor Union Law of the People's Republic of China
	Companies Ordinance (Chapter 622 of the Laws of Hong Kong)

THE CONTENT INDEX OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE OF HKEX

Aspect		Description	Relevant Section
A. Environmental			
Aspect A1: Emissions	General disclosure	Information on: the policies; and compliance with the relevant laws and regulations that have a significant impact on the issuer relating to exhaust gas and greenhouse gas emissions, discharges into water and land, and the generation of hazardous and non-hazardous waste.	3.1 Environment Management 3.2 Climate Change 3.4 Reduce Waste and Emission
	A1.1	The types of emissions and respective emissions data.	3.4 Reduce Waste and Emission
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	3.2 Climate Change
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	3.4 Reduce Waste and Emission
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	3.4 Reduce Waste and Emission
	A1.5	Description of emissions target(s) set and steps taken to achieve them.	3.4 Reduce Waste and Emission
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	3.4 Reduce Waste and Emission
Aspect A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water, and other raw materials.	3.3 Resource Conservation
	A2.1	Direct and/or indirect energy consumption by type (e.g., electricity, gas or oil) in total (kWh in '000s) and intensity (e.g., per unit of production volume, per facility).	3.3 Resource Conservation
	A2.2	Water consumption in total and intensity (e.g., per unit of production volume, per facility).	3.3 Resource Conservation
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	3.3 Resource Conservation
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	3.3 Resource Conservation
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	3.3 Resource Conservation

Aspect		Description	Relevant Section
Aspect A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	3.3 Resource Conservation
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	3.3 Resource Conservation
Aspect A4: Climate Change	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	3.2 Climate Change
	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	3.2 Climate Change
B. Social			
Aspect B1: Employment	General Disclosure	Information on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	4.1 Diversity in Employment
	B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	4.1 Diversity in Employment
	B1.2	Employee turnover rate by gender, age group and geographical region.	4.1 Diversity in Employment
Aspect B2: Health and Safety	General Disclosure	Information on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	4.5 Work Healthily
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	4.5 Work Healthily
	B2.2	Lost days due to work injury.	4.5 Work Healthily
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	4.5 Work Healthily
Aspect B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	4.3 Development of Employee
	B3.1	The percentage of employees trained by gender and employee category (e.g., senior management, middle management).	4.3 Development of Employee
	B3.2	The average training hours completed per employee by gender and employee category.	4.3 Development of Employee

Aspect		Description	Relevant Section
Aspect B4: Labour Standards	General Disclosure	Information on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	4.1 Diversity in Employment
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	4.1 Diversity in Employment
	B4.2	Description of steps taken to eliminate such practices when discovered.	4.1 Diversity in Employment
Aspect B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	5.1 Collaborative Supply Chain
	B5.1	Number of suppliers by geographical region.	5.1 Collaborative Supply Chain
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	5.1 Collaborative Supply Chain
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	5.1 Collaborative Supply Chain
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	5.1 Collaborative Supply Chain
Aspect B6: Product Responsibility	General Disclosure	Information on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	2.1 Reliable Products 2.2 Responsible Operation 2.3 Marketing Services
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	2.1 Reliable Products
	B6.2	Number of products and service related complaints received and how they are dealt with.	2.1 Reliable Products
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	2.2 Responsible Operation
	B6.4	Description of quality assurance process and recall procedures.	2.1 Reliable Products
	B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	2.2 Responsible Operation

Aspect		Description	Relevant Section
Aspect B7: Anti-corruption	General Disclosure	Information on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	1.1 Corporate Governance
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	1.1 Corporate Governance
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	1.1 Corporate Governance
	B7.3	Description of anti-corruption training provided to directors and staff.	1.1 Corporate Governance
Aspect B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	5.3 Caring About the Society
	B8.1	Focus areas of contribution (e.g., education, environmental concerns, labor needs, health, culture, sport).	5.3 Caring About the Society
	B8.2	Resources contributed (e.g., money or time) to the focus area.	5.3 Caring About the Society

GLOSSARY

ADC	Antibody-drug Conjugate
CAPA	Corrective Action and Preventive Action
CDE	Center For Drug Evaluation
CDMO	Contract Development and Manufacturing Organization
CMO	Contract Manufacture Organization
COA	Certificate of analysis
DMS	Document Management System
EHS	Environment Health Safety
EMA	European Medicines Agency
FDA	Food and Drug Administration
FTO	Free To Operate
GMP	Good Manufacturing Practice
GSP	Good Supplying Practice
QA	Quality Assurance
QC	Quality Control

READER'S FEEDBACK

We anticipate your opinions and suggestions to continuously improve our ESG efforts, as well as our competence in ESG management.

We hope you could complete the questions in the feedback form below and sent it back to us via the following contacts.

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Your Information	
Name	
Company name	
Tel	
Email	
Opinions & Suggestions	

1. What do you think of our ESG report?
   ○ Excellent ○ Good ○ Average

2. Do you think this report has presented the significant impact of our ESG issues?
   ○ Yes ○ More or less ○ Don't know

3. How do you rate the clarity, accuracy and completeness of the information, data and indicators disclosed in this report?
   ○ Very high ○ High ○ Average ○ Low ○ Very low

4. Which aspect of this report are you most satisfied with?

   _____

5. What kind of information do you want to learn more about?

   _____

6. Do you have any suggestions for the ESG reports to be released in the future?

   _____