艾美疫苗
全产业链疫苗集团

艾美疫苗股份有限公司
AIM Vaccine Co., Ltd.

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

Stock Code: 06660

ANNUAL REPORT
2022

Contents

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Mr. Shaojun JIA (賈紹君)

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Mr. Xin ZHOU (周欣)
Mr. Jichen ZHAO (趙繼臣)
Ms. Aijun WANG (王愛軍)

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Mr. Xiaoguang GUO (郭曉光)
Ms. Jie WEN (文潔)
Mr. Hui OUYANG (歐陽輝)

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STOCK CODE

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Chairman's Statement

Be it the best or worst of times, innovation is what matters most all the time

To all Shareholders and employees of AIM Vaccine:

2022 was an extraordinary year. It was a year of the darkest moments with the global COVID-19 pandemic and the heated war between Russia and Ukraine; a year where the world was confronted with sweeping and increasingly building political and financial crises. Minute signs can reveal profound changes unseen in a century, just like a falling leaf can reveal the coming of autumn. Be it the best or worst of times, innovation is what matters most all the time.

2022 was also a momentous year of transformation for AIM Vaccine. After ten years of development, we successfully reached the milestone of entering the Hong Kong capital market. On behalf of AIM Vaccine, I would like to take this opportunity to express genuine gratitude to all of our Shareholders and employees.

Our mission all along has been to develop and manufacture vaccines with a conscience for the health of the world. To date, we already have four wholly-owned Licensed Manufacturing Facilities and three vaccine research institutes. We have eight commercialized vaccine products and 22 vaccine candidates. Long occupying a leading position in the market, the commercialized vaccines have reached more than 2,000 CDCs at the district and county level, covering all 31 provinces, municipalities and autonomous regions in the mainland China. We are the second largest vaccine group covering the whole industry chain in China and the largest vaccine group in the private sector by approved lot release volume of vaccine products in 2021, as well as a leading enterprise in China's mRNA vaccine sector. In addition, we are one of the first two human vaccine companies in the PRC that have been granted permission under the Fourteenth Five Year Plan of the PRC to build a P3 Lab.

Looking back on 2022, we faced a variety of challenges such as logistics disruptions, inaccessible medical resources and procurement delays due to COVID-19, which caused disruption to our daily operations to a certain extent. However, we remained committed to product research and development as well as quality management as we all agree that high-quality product innovation is the most important way to realize long-term returns. We believe that, benefitting from the rapidly growing market opportunities in China's vaccine industry, especially the relaxation of domestic pandemic prevention policies and the elimination of adverse effects, the competitiveness of our whole industry chain from research and development to sales will increasingly emerge.

High-quality products have always been our foremost priority. We have established a comprehensive quality management system during the process of vaccine research, development and manufacturing. Moreover, we were the only human rabies vaccine manufacturer to achieve a 100% pass rate in lot release quality audits by the NIFDC in the last five years. In 2022, the total annual production capacity for stoste of our four Licensed Manufacturing Facilities reached 91.3 million doses. All of our four Licensed Manufacturing Facilities passed the GMP inspection in 2022.

Chairman's Statement

Over the years, we have been committed to upgrading our vaccine product portfolio through the research and development of high-quality vaccines to contribute to China's disease control. In 2022, we pushed ahead with the research and development of 22 vaccine candidates against 14 disease areas, resulting in the increase of our annual research and development costs to approximately RMB500 million from approximately RMB300 million in 2021.

Our main vaccine candidates include:

- Bivalent Delta-Omicron BA.5 mRNA COVID-19 vaccine: the bivalent mRNA COVID-19 vaccine targeting the Delta and Omicron BA.5 variants has been approved to commence Phase III clinical trial in Pakistan.

- A comprehensive pneumococcal vaccine portfolio: includes 13-valent pneumococcal conjugate vaccine (PCV13), 20-valent pneumococcal conjugate vaccine (PCV20), 24-valent pneumococcal conjugate vaccine (PCV24) and 23-valent pneumococcal polysaccharide vaccine (PPSV23). In addition, we have launched the Phase III clinical trial and completed the full course of basic immunization for PCV13, and the Phase III clinical trial of PPSV23 is to commence soon.

- Tetravalent meningococcal conjugate vaccine: this candidate has entered into the Phase I clinical trial stage, commenced subject enrolment, and an NDA is expected to be filed within four years.

- Global innovative bivalent HFMD vaccine: this candidate has entered into the clinical trial stage, and an NDA is expected to be filed within four years.

- Upgraded rabies vaccines of the Company: includes freeze-dried human rabies vaccine (Vero Cell, Serum-free), freeze-dried human rabies vaccine (HDC), and mRNA human rabies vaccine. Among them, the freeze-dried human rabies vaccine (Vero Cell, Serum-free) has entered into the clinical trial stage.

- Other high-market-potential vaccine candidates against major vaccine-preventable infectious diseases: examples include DTP vaccine, tetravalent influenza vaccine, human papillomavirus (HPV) vaccine, shingles/herpes zoster vaccine, tetanus vaccine, group B *Streptococcus* conjugate vaccine and respiratory syncytial virus (RSV) vaccine. At present, nine of the Company's vaccine candidates have been granted a total of 13 CTAs.

We plan to submit a number of CTAs in 2023 to advance multiple CTA-enabling and preclinical candidates to clinical trial stages. We have been developing our bivalent Delta-Omicron BA.5 mRNA COVID-19 vaccine and 13-valent pneumococcal conjugate vaccine, 23-valent pneumococcal polysaccharide vaccine, freeze-dried human rabies vaccine (Vero cell, Serum-free), all of which are heavy weight products in the market; and we are expected to launch at least four products in the second half of 2023 and 2024 to 2025, respectively. In addition, our products such as bivalent HFMD vaccine, freeze-dried human rabies vaccine (HDC), tetravalent meningococcal conjugate vaccine and tetanus vaccine are expected to launch within five years. Once these products are launched, I am convinced that they will bring us generous returns.

Chairman's Statement

Despite the ongoing uncertainties and challenges brought by the global disease control environment, we will stay true to our original aspiration and promote the development of full pipeline vaccines to benefit the public, bringing them a healthy and better life. In the new year, we will implement a number of specific policies. We will continue to strengthen and solidify our market leadership position by stepping up efforts to market approved vaccine products and promote the commercialization of new vaccine candidates. In the next three to five years, we will expand our in-house commercialization team and production capacity to support future growth. We plan to raise funds through a private placement of unlisted RMB denominated ordinary Shares in the near future, and the proceeds will be used to construct new production facilities for the EV71-CA16 bivalent HFMD vaccine candidate, develop mRNA vaccine candidates against COVID-19 variant strains (including but not limited to monovalent and multivalent vaccine candidates against Omicron BA.5), develop multi-valent pneumococcal vaccine candidates, and to replenish working capital and for general corporate purposes.

China's vaccine industry is a booming industry. As the largest privately operated vaccine group in China, AIM Vaccine is deeply aware of its great responsibilities. In the face of increasingly fierce competition, we will never forget our original aspiration, and will work hard in unity, so as to lay a solid foundation for the sustainable high-quality and long-term development of AIM Vaccine. We hold faith that our future will be brighter and hope to forge ahead with you to start a new journey at AIM Vaccine.

Chairman of the Board and Chief Executive Officer: **Yan ZHOU**
March 29, 2023

Management Discussion and Analysis

BUSINESS OVERVIEW AND OUTLOOK

Overview

As a large whole industry chain vaccine company in China, we cover the full value chain from research and development to manufacturing and to commercialization. We have five proven human vaccine platform technologies, including bacterial vaccine technologies, viral vaccine technologies, genetically engineered vaccine technologies, combination vaccine technologies and mRNA vaccine technologies. We are one of the first two human vaccine companies in the PRC that have been granted permission under the Fourteenth Five Year Plan of the PRC to build a bio-safety level 3 laboratory. We operate four individual Licensed Manufacturing Facilities in Rong'an Bio, AIM Honesty, AIM Kanghuai and AIM Weixin. The product categories of the Company are comprised of vaccines under the immunization program and vaccines not covered by the immunization program, which cover 31 provinces, autonomous regions and direct-controlled municipalities. On-sale products mainly include recombinant HBV vaccine (Hansenula Polymorpha), freeze-dried human rabies vaccine (Vero cell), inactivated HAV vaccine (HDC), mumps vaccine, bivalent inactivated HFRS vaccine (Vero cell) and Group A, C, Y and W135 MPSV (MPSV4).

Our sales and marketing function is centralized, specialized, and market-oriented, which enables us to accelerate strategy formulation and execution, achieve high cost-efficiency and gain cross-selling opportunities. We set up a centralized marketing model through a two-pronged "in-house sales and marketing" development model to optimize sale efficiency. For the year ended December 31, 2022, due to the ongoing COVID-19 epidemic and outbreaks in various regions and cities in China, CDCs continued to allocate and focus resources on the prevention and control of the COVID-19 epidemic, which delayed the procurement and administration of vaccines other than COVID-19 vaccines, and the Company achieved operating revenue of RMB1,264.1 million, representing a decrease of 19.5% as compared to the same period in 2021. The sales of each product are as follows:

	Year ended December 31,			
	2022		2021	
	RMB'000	***%***	*RMB'000*	*%*
Freeze-dried human rabies vaccine (Vero cell)	**777,002**	**61.5**	937,414	59.7
HBV vaccine (Hansenula Polymorpha)	**436,842**	**34.6**	523,252	33.3
Inactivated HAV vaccine (HDC)	**17,708**	**1.3**	86,057	5.5
Mumps vaccine	**–**	**–**	1,893	0.1
Bivalent inactivated HFRS vaccine (Vero cell)	**–**	**–**	–	–
Group A, C, Y and W135 MPSV (MPSV4)	**32,486**	**2.6**	18,666	1.2
Research and development service revenue	**35**	**0.0**	2,847	0.2
Total revenue	**1,264,073**	**100.0**	1,570,129	100.0

Management Discussion and Analysis

Our Products and Pipelines

We strive to access the best industry resources. Through more than one decade of organic growth and external resource integration, we have become a major player in the Chinese vaccine industry. We have currently commercialized eight vaccine products against six disease areas, of which the HBV vaccines and human rabies vaccines are our key commercialized market-leading vaccine products. We also have 22 vaccine candidates against 14 disease areas in our pipelines, and at present, the Company has obtained 13 clinical approvals for 9 varieties of vaccines. Among them, the bivalent Delta-Omicron BA.5 mRNA COVID-19 vaccine has entered into overseas Phase III clinical stage, the EV71-CA16 bivalent HFMD vaccine (HDC) has entered into clinical stage, the 13-valent pneumococcal conjugate vaccine (PCV13) has completed Phase III clinical stage and full basic immunisation, the 23-valent pneumococcal polysaccharide vaccine (PPSV23) is currently in the progress of Phase I clinical stage and is expected to enter into Phase III clinical trials in the second quarter of 2023, the freeze-dried human rabies vaccine (Vero Cell, Serum-free) obtained clinical approval in October 2022 and is expected to commence Phase III clinical trials in the third quarter of 2023, and the Group A, C, Y and W135 MCV (also known as tetravalent meningococcal conjugate vaccine) (MCV4) commenced Phase I clinical trials in February 2023 and is expected to commence Phase II clinical stage in the third quarter of 2023 and Phase III clinical stage in 2024.

Our Vaccine Products

Recombinant HBV Vaccines (Hansenula Polymorpha)

Recombinant HBV vaccine products have been and are expected to continue to be one major type of our commercialized products. Currently, we were the first and only company in China with steady production and approved lot release volume of HBV vaccines using Hansenula Polymorpha for antigen expression, which is widely recognized as the best manufacturing technology route for HBV vaccines among all three available manufacturing technologies (Hansenula Polymorpha, Saccharomyces cerevisiae and Chinese hamster ovary (CHO) cells), featuring with better genetic stability, higher purity and stronger antigen expression capabilities. In addition, we manufacture HBV vaccines with adjuvants under a patented process, which prolongs the action time of antigens in the human body and strengthens the stimulation of immune response, and contains no addition of preservatives to enhance product safety. We have been granted patents for this process in the PRC valid until May 2032, distinguishing our recombinant HBV vaccine products from others and creating a high technological entry barrier for later entrants.

Management Discussion and Analysis

We have developed two recombinant HBV vaccine products, differentiated in terms of HBsAg concentration: 10μg HBsAg per dose and 20μg HBsAg per dose. The 10μg HBsAg dosage is allowed to be administered in all age groups, including newborns. The 20μg HBsAg dosage is approved for people with high infection risks in age groups of 16 years old or above. 34.6% of our revenue was derived from sales of the HBV vaccine products for the year ended December 31, 2022. Our recombinant HBV vaccine products have maintained a 100% pass rate in lot release quality audits of NIFDC since their approvals.

Human Rabies Vaccine (Vero Cell)

The human rabies vaccine (Vero cell), one of our major products, is an injectable vaccine administered under the intramuscular route to persons of all ages to prevent rabies after exposure or at a high risk of exposure to rabies. We manufacture this vaccine product in Rong'an Bio, which obtained the NDA approval in September 2007 and the GMP certificate in June 2008.

61.5% of our revenue was derived from sales of this vaccine product for the year ended December 31, 2022. High and stable product quality has been and will continue to be critically significant to compete in this market. Since its commercialization in 2007, our human rabies vaccine (Vero cell) has maintained a 100% pass rate in lot release quality audits by the NIFDC for 15 years.

Inactivated HAV Vaccines (HDC)

Hepatitis A is caused by the hepatitis A virus (HAV). We have developed two inactivated HAV vaccine products, differentiated in terms of isolated HAV antigen concentration: the 320Eu/0.5ml per dose indicated for the age group of 1 to 15 years old, and the 640Eu/1.0ml per dose indicated for people older than 15. We ceased production of our HAV vaccines between May and September 2021 to perform maintenance and upgrades to our production facilities and we resumed vaccine stoste production in September 2021. Production of the pre-filled dosage form of the vaccine formulation resumed in June 2022 and passed the GMP compliance inspection in the second half of 2022. We have currently arranged for the lot release samples to be sent and expect to obtain the lot release certificate in the first half of 2023, so that the HAV vaccine can be launched and sold.

Management Discussion and Analysis

Group A, C, Y and W135 MPSV (MPSV4)

We launched MPSV4 in March 2020. Our MPSV4 covers A, C, Y, and W135 serogroups, and can be administered to individuals over the age of two. We obtained the NDA approval for the MPSV4 in October 2018 and the GMP certificate in November 2018. Several key quality indicators of our MPSV4 surpass the relevant PRC national standards. We utilize advanced production equipment and technologies such as high-speed continuous flow centrifugation and phenol extraction to ensure the highest level of safety for our MPSV4. We do not add any antibiotics or preservatives to our MPSV4. The sales revenue from the product was RMB32.5 million for the year ended December 31, 2022.

HFRS Vaccine

At present, our HFRS vaccine is one of the only five approved HFRS vaccines in the PRC. AIM Weixin obtained the NDA approval for this vaccine in September 2007 and GMP certificate for its production in February 2008. At the end of 2018, we ceased production of HFRS vaccine products to relocate the relevant production line to new production lines with more advanced equipment and higher production capacity. Our new production lines of HFRS vaccine have passed GMP inspections in June 2022. We have completed the lot release quality audits of NIFDC for the new production lines of HFRS vaccine in the fourth quarter of 2022, and resumed the production of HFRS vaccine.

Mumps Vaccine

Our mumps vaccine is a live attenuated single-dose vaccine product indicated for vaccinees aged eight months and above with infection risks. AIM Weixin obtained the NDA approval for the mumps vaccine in October 2004, and obtained the GMP certificate for its production in January 2005. Since February 2020, we ceased production of our mumps vaccine products for the GMP inspection and upgrade of our production line. While we passed the on-site GMP inspection in June 2020, we have not yet restarted commercial production as we are still working to improve the competitiveness of our products and relevant trials works are in progress.

Management Discussion and Analysis

Our Vaccine Candidates

The following table summarizes our vaccine candidate portfolio:

Indication	Vaccine Candidate	In-house R&D/ Joint Development	Preclinical	CTA	Phase I	Phase II/III	NDA Approval	Expected Timing to Market
COVID-19	Bivalent Delta-Omicron BA.5 mRNA COVID-19 Vaccine	In-house R&D	Overseas Phase III clinical trial ongoing					2023[1]
	Monovalent Omicron BA.5 mRNA COVID-19 Vaccine	In-house R&D	Plan to file CTA in 2023					2023[1]
HFMD	EV71-CA16 Bivalent HFMD Vaccine (HDC)	In-house R&D	Start Phase I in Q3 2023					2026
Pneumococcal disease	13-Valent Pneumococcal Conjugate Vaccine (PCV13)	In-house R&D	File NDA in Q1 2024					2024
	23-Valent Pneumococcal Polysaccharide Vaccine (PPSV23)	In-house R&D	Start Phase III in Q2 2023					2024
	20-Valent Pneumococcal Conjugate Vaccine (PCV20)	In-house R&D	Plan to file CTA in 2024					2026
	24-Valent Pneumococcal Conjugate Vaccine (PCV24)	In-house R&D	Plan to file CTA in 2024					After 2026
Group B strep disease	Hexavalent Group B Streptococcus Polysaccharide Conjugate Vaccine	In-house R&D	Plan to file CTA in 2024					After 2028
DTP	Diphtheria, Tetanus and Pertussis and Haemophilus Influenzae Type B (DTP-Hib) Combination Vaccine	In-house R&D	Plan to file CTA in 2024					After 2026
	Diphtheria, Tetanus and Acellular Pertussis Combined Vaccine (DTaP)	In-house R&D	Plan to file CTA in 2024					After 2026
	Diphtheria, Tetanus and Acellular Pertussis (Components) Combined Vaccine (DTcP)	In-house R&D	Plan to file CTA in 2025					After 2026
	Absorbed Tetanus Vaccine	In-house R&D	Plan to file CTA in 2023					2026
Hib	Haemophilus Influenzae Type B (Hib) Vaccine	In-house R&D	Plan to file CTA in 2024					After 2026
Rabies	mRNA Human Rabies Vaccine	In-house R&D	Plan to file CTA in 2023					After 2026
	Freeze-dried Human Rabies Vaccine (Vero Cell, Serum-free)	In-house R&D	Prepare for Phase III					2025
	Freeze-dried Human Rabies Vaccine (HDC)	In-house R&D	Plan to file CTA in 2024					2026
HPV	Human Papillomavirus 2-valent Vaccine (HPV2)	In-house R&D	Plan to file CTA in 2024					After 2026
	Human Papillomavirus 9-valent Vaccine (HPV9)	In-house R&D	Plan to file CTA in 2024					After 2026
Meningococcal disease	Tetravalent Meningococcal Conjugate Vaccine (MCV4)	In-house R&D	Plan to start Phase II in Q3 2023					2026
Influenza	Tetravalent Influenza Vaccine (MDCK Cells)	In-house R&D	File CTA in 2024					After 2026
Herpes	mRNA Shingles/Herpes Zoster Vaccine	In-house R&D	File CTA in Q2 2025					After 2026
RSV	mRNA Respiratory Syncytial Virus Vaccine (RSV)	In-house R&D	File CTA in Q2 2024					After 2026

Viral Vaccine Platform | Bacterial Vaccine Platform | mRNA Vaccine Platform

Genetically Engineered Vaccine Platform | Combination Vaccine Platform

Note:

(1) Expected to launch urgently within and outside China.

Management Discussion and Analysis

KEY PRODUCTS IN THE CLINICAL STAGE

Bivalent Delta-Omicron BA.5 mRNA COVID-19 Vaccine

Our bivalent Delta-Omicron BA.5 mRNA COVID-19 vaccine is developed by the Group's own mRNA technology platform for the two kinds of variants of Novel Coronavirus, namely Delta and Omicron BA.5. Given that the Group has been already developing several univalent mRNA COVID-19 vaccines, on the basis of previous R&D results, we were able to start the R&D of bivalent Delta-Omicron BA.5 mRNA COVID-19 vaccine quickly in response to the spread of the COVID-19 pandemic.

To date, we have applied for clinical approvals in China, and commenced Phase III clinical trial in Pakistan on March 25, 2023. Given that restrictive measures against COVID-19 have been lifted in China, we expect that the demand for multivalent COVID-19 vaccines for the latest variant strain will increase in China. Therefore, we plan to rapidly advance the clinical trials of the bivalent Delta-Omicron BA.5 mRNA COVID-19 vaccine, which is expected to be launched urgently within and outside China in the second half of 2023.

13-Valent Pneumococcal Conjugate Vaccine (PCV13)

Our PCV13 vaccine is a pneumococcal conjugate vaccine to be indicated for children aged from six weeks to five years old. We obtained the CTA approval for our PCV13 vaccine candidate in October 2020 and commenced the Phase I clinical trial in February 2021. As of the end of 2022, we were undergoing a Phase III clinical trial for our PCV13 vaccine and had largely completed administration of the full course of PCV13 vaccine for test subjects in the Phase III clinical trial. We expect to file the NDA with the NMPA in the first quarter of 2024 and to launch this product in the period at the end of 2024.

We have tested and proven our manufacturing techniques of the PCV13 vaccine using our bacterial platform technologies. As of the end of 2022, we have conducted scaled-up production of our PCV13 vaccine, and have produced samples for our Phase I and Phase III clinical trials. The Phase III clinical trial currently in progress is a non-inferiority clinical trial that is single-centered, randomized, blinded and parallel-controlled between similar vaccines. The number of design samples was 3,780, with the main aim of assessing the immunogenicity (efficacy) and safety of the vaccine for those in the 2 to 71 months age group.

Management Discussion and Analysis

EV71-CA16 Bivalent HFMD Vaccine

We are developing a global innovative EV71-CA16 Bivalent HFMD Vaccine. Enterovirus type 71 (EV71) and coxsackievirus A16 (CA16) are the major pathogens of HFMD. Our EV71-CA16 Bivalent HFMD Vaccine Candidate is the first vaccine candidate in the world designed to provide immunization against both the EV71 and CA16 viral strains. We filed a CTA to the NMPA in July 2022 and received clinical approval in October 2022. We expect to commence clinical trials in the third quarter of 2023.

ACYW135 Meningococcal Polysaccharide Conjugate Vaccine (MCV4)

Our MCV4 vaccine is a meningococcal polysaccharide conjugate vaccine with the ability to prevent epidemic cerebrospinal meningitis caused by group A, C, Y and W135 neisseria meningitidis, and other invasive diseases, and is indicated for those in the 3 months to 15 years age group. We initiated the Phase I clinical trial in February 2023, formally launched the Phase I single-center, open clinical trial in March 2023, commenced subject enrolment with 120 subjects planned for the trial, and expect to initiate the Phase II clinical stage in the third quarter of 2023 and the Phase III clinical stage in 2024.

PROGRESS AND RESULTS OF OTHER CLINICAL TRIALS

- Freeze-dried human rabies vaccine (Vero Cell, Serum-free): we received clinical approval for this product in October 2022. We expect to commence the Phase III clinical trial in the third quarter of 2023.

- 23-valent pneumococcal polysaccharide vaccine (PPSV23): our PPSV23 was undergoing the Phase I clinical trial as of the end of 2022. We expect to reach the Phase III clinical trial in the second quarter of 2023.

Management Discussion and Analysis

BUSINESS HIGHLIGHTS

Vaccine development platform technologies and in-house R&D teams

We have five proven human vaccine platform technologies covering innovative technologies, such as mRNA vaccine, genetically engineered vaccine, and combination vaccine technologies, as well as traditional technologies, such as bacterial vaccine and viral vaccine technologies. Leveraging these platforms, we are well positioned to develop a steady and fit-for-purpose stream of vaccines that are efficient to manufacture. We have at least one approved product or one vaccine candidate at CTA or clinical stages under each platform.

Our in-house R&D teams are responsible for all stages of vaccine candidate development, from preclinical studies, laboratory research, to clinical trials, regulatory filings and manufacturing process development. Our in-house R&D teams primarily consist of (i) three vaccine research institutes, namely AIM Explorer, Liverna and AIM Innovator; and (ii) the R&D team in each of our four vaccine manufacturing subsidiaries, namely AIM Honesty, AIM Kanghuai, Rong'an Bio and AIM Weixin. Each R&D team has its own research foci. AIM Explorer mainly develops vaccine candidates using bacterial vaccine platform technologies. Liverna develops mRNA vaccines, including our mRNA COVID-19 vaccine candidate, leveraging its expertise in mRNA technologies. AIM Innovator focuses on the research and development and commercialization of genetically engineered recombinant vaccines. AIM Kanghuai focuses on viral vaccine platform technologies. Rong'an Bio focuses on mRNA vaccines and viral vaccine platform technologies. AIM Honesty concentrates on genetically engineered vaccine platform technologies. In addition, AIM Weixin is developing several vaccine candidates using combination and bacterial vaccine platform technologies.

Our R&D activities are led by a team of world-class scientists. Our chief scientist, Dr. Yucai PENG, is in charge of the R&D activities of Liverna, and he has extensive top-class knowledge in mRNA drugs. We have also established our R&D management center at the Group level to coordinate and supervise all R&D activities across the research institutes and operating subsidiaries. Mr. Fan ZHANG, who leads our R&D management center, has over 10 years of experiences in vaccine development, including research for PCV13, PCV20, PPSV23, MCV4 and DTP combination vaccine.

Management Discussion and Analysis

Manufacturing

All of our vaccine products are produced in house by our four individual Licensed Manufacturing Facilities in our manufacturing subsidiaries. For the year ended December 31, 2022, we passed all GMP inspections conducted by the NMPA or its local counterparts on the four individual Licensed Manufacturing Facilities. The following table sets forth key information of our four individual Licensed Manufacturing Facilities as of December 31, 2022:

Name	Location	GFA (sq.m.)	Annual bulk production capacity *(million doses)*	Responsible products	Production Line(s)
Rong'an Bio Licensed Manufacturing Facility	Ningbo, Zhejiang Province	25,318	25.0	Human rabies vaccine (Vero cell)	Two
AIM Honesty Licensed Manufacturing Facility	Dalian, Liaoning Province	11,877	45.0	Recombinant HBV vaccine (Hansenula Polymorpha)	One
AIM Kanghuai Licensed Manufacturing Facility	Taizhou, Jiangsu Province	18,711	5.3	Inactivated HAV vaccine	One
AIM Weixin Licensed Manufacturing Facility	Ningbo, Zhejiang Province	72,313	16.0	HFRS vaccine, mumps vaccine and MPSV4	Three

We have equipped all our Licensed Manufacturing Facilities with advanced equipment and machinery procured from leading international and domestic brands, such as bioreactors, centrifuges, ultra-filtration system and large-scale purification system and product filling and packaging lines. We regularly inspect and maintain our equipment and machinery to ensure that they remain in good condition for operation. In each Licensed Manufacturing Facility, we have been actively taking measures to ensure a stable and quality supply, including designating dedicated personnel to optimize production planning and coordination among different divisions, preventing contamination, improving automation in our production procedures, and strengthening the maintenance of our equipment and facilities to reduce the occurrence of failures.

Management Discussion and Analysis

As a major vaccine company in China, we expect a continuously strong market demand for our existing vaccine products. In order to have sufficient capacity to address these needs, we plan to establish new production facilities in the next few years. As of the end of 2022, the Ningbo Rong'an mRNA COVID-19 vaccine production workshop has completed workshop construction, equipment debugging and verification, and completed the production of Phase III clinical samples. The construction of Ningbo Rong'an serum-free rabies vaccine workshop has been completed, and the debugging and verification of the main production equipment has been completed at the end of 2022.

At the same time, located in the new bacterial vaccine industrialization project of AIM Weixin, the construction of the pneumonia series vaccines stoste workshop was completed in early 2021, the construction of the tetravalent meningococcal conjugate vaccines stoste workshop was completed in September 2022, and the construction of the DTP-Hib combination vaccine stoste workshop was completed in November 2022 and the equipment is currently being debugged and verified.

Industry Overview

The Vaccine Administration Law of the People's Republic of China (《中華人民共和國疫苗管理法》), which came into effect on December 1, 2019, contains specific provisions on the development, production, circulation and vaccination of vaccines as well as supervision and administration, and further defines vaccines as vaccines under the immunization program and vaccines not covered by the immunization program. The promulgation of the Vaccine Administration Law of the People's Republic of China began a new stage of vaccine development in China.

The "14th Five-Year Plan" period is the first five years for China to embark on a new journey to fully build a modern socialist country and march towards the Second Centenary Goal. It is also a period of significant opportunity for China for the acceleration of the evolution of biotechnology, the rapid growth of life and health needs, and the rapid development of bio-industry. On January 30, 2022, nine departments, namely the Ministry of Industry and Information Technology, the National Development and Reform Commission, the Ministry of Science and Technology, the Ministry of Commerce, the National Health Commission, the Ministry of Emergency Management, the National Healthcare Security Administration, the NMPA and the National Administration of Traditional Chinese Medicine, jointly issued the "14th Five-Year Plan" for Pharmaceutical Industry Development (《"十四五"醫藥工業發展規劃》). On May 10, 2022, the National Development and Reform Commission issued the "14th Five-Year Plan" for Bio-Economic Development (《"十四五"生物經濟發展規劃》) (hereinafter collectively referred to as the "**Development Plan**"). The Development Plan clearly stated that bio-pharmaceutical enterprises should adapt to the new trend of moving from "treatment-centered" to "health-centered", develop bio-pharmaceuticals oriented to people's life and health, meet the new expectations of the people for more secure life and health, and aim to improve people's health protection ability. Focusing on areas including drugs, vaccines, advanced diagnosis and treatment technologies and equipment, biomedical materials, precision medicine, inspection and testing, and biological health care, bio-pharmaceutical enterprises should improve original innovation capacity, strengthen drug regulatory scientific research, enhance the supply chain guarantee level of high-end bio-pharmaceutical products and equipment, effectively support disease prevention and treatment and cope with the aging population, to build a strong public health system and fully implement the Healthy China strategy and better protect people's lives and health.

Management Discussion and Analysis

The PRC vaccine market grew from RMB25.1 billion in 2015 to RMB76.1 billion in 2021, and is expected to further grow to RMB215.7 billion in 2030 (excluding COVID-19 vaccines), which is significantly more rapid than the global market. Including the COVID-19 vaccine market, the overall PRC vaccine market is expected to increase from RMB303.6 billion in 2021 to RMB431.4 billion in 2030. By vaccine category, the market size of vaccines under the immunization program declined slightly, while vaccines not covered by the immunization programs became the driving factor for the continued expansion of the market size in China. The vaccine industry in China is expected to continue to grow rapidly as pharmaceutical companies continue to conduct research and development, innovative vaccines covering more diseases and more serotypes/subtypes become increasingly popular, average life expectancy and ageing population ratio increase, and health awareness, vaccination awareness and average disposable income of the PRC residents increase. At the same time, the COVID-19 pandemic has had a profound impact on the vaccine industry. According to the National Bureau for Disease Control and Prevention of the PRC (中國疾控預防控制局), as of December 31, 2022, a cumulative total of 3,478,094,000 doses of COVID-19 vaccinations had been reported in 31 provinces (autonomous regions and municipalities directly under the Central Government) in mainland China and Xinjiang Production and Construction Corps. The research and development of the COVID-19 vaccine has accelerated the development of pharmaceutical companies in technological innovation, and vaccines with new technological routes such as mRNA and recombinant vaccines have sprung up, and vaccine companies have ushered in opportunities to upgrade technological innovation. The COVID-19 vaccine has become a well-known anti-epidemic product, and with the increasing vaccination awareness among PRC residents, is expected to boost the demand for vaccination in the long run. Against this background, the vaccine industry in China is expected to enter a new stage of development in terms of iterative upgrading of vaccine technology platforms, research and development of new products and adult market expansion and other areas.

Impact of the COVID-19 Outbreak

In 2022, the continuous spread of COVID-19 (Omicron variant) led to outbreaks in various cities and areas. To achieve "dynamic-zero COVID-19 cases" (動態清零), the PRC government adopted a series of prevention and containment measures, and continuous booster vaccination measures. Such measures posed certain obstacles to our sales, marketing and promotion activities, and inter-city and inter-province transportation restrictions also interrupted our delivery to CDCs. Moreover, as CDCs continued to allocate and focus their resources on COVID-19 prevention and containment, many CDCs delayed or reduced procurement and vaccination of other vaccines. With the improvement of the national pandemic, "Class B measures" have been implemented for COVID-19 infections from January 8, 2023. Pursuant to Law of the People's Republic of China on the Prevention and Treatment of Infectious Diseases《中華人民共和國傳染病防治法》, infected patients of COVID-19 are no longer subject to quarantine measures and close contacts are no longer identified; high and low risk areas are no longer designated; infected patients of COVID-19 are admitted and treated by grades and categories and healthcare policies would be adjusted in a timely manner; the testing policy is revised to "voluntary testing", and the frequency and content of pandemic information release have been adjusted. Assuming that the COVID-19 situation in China is not exacerbated, the Directors are of the view that the COVID-19 outbreak is not expected to have a material adverse impact on the Group in the future.

Management Discussion and Analysis

PROSPECTS AND OUTLOOK

With the optimization of policies against COVID-19 outbreak and all regions continuously passing the peak of the pandemic, China is expected to emerge completely from the impact of the pandemic in 2023.

As the COVID-19 outbreak-related limitations are lifted and the activities of people and pets are no longer restricted, the potential market of human rabies vaccines will be further increased. With rigid demand for human rabies vaccines, the sale of our human rabies vaccine (Vero cell) is expected to increase steadily in 2023. Special projects will be carried out successively to expand the market for our HBV products. Commercial sales for our HAV vaccine products will be gradually resumed in 2023. The academic promotion for our MPSV4 will be continuously strengthened, the access to districts and counties will be expanded and the penetration rate of the products in the markets will be increased. Our HFRS product has obtained the license for entry to the market by way of winning the class II vaccine bid. In conclusion, the sales volume of our vaccine products is expected to increase steadily in 2023.

We are committed to strengthening our highly specialized sales and marketing network and empowering our experienced CSO team and in-house sales and marketing team, in order to support the promotion of the products and the deepening of market penetration, and help to achieve the growth of the performance in 2023.

FINANCIAL REVIEW

Overview

The following discussion is based on, and should be read in conjunction with, the financial information and the notes included elsewhere in this announcement.

Management Discussion and Analysis

Revenue

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Revenue from sales of vaccine products		
Freeze-dried human rabies vaccine (Vero cell)	**777,002**	937,414
HBV vaccine (Hansenula Polymorpha)	**436,842**	523,252
Revenue from sales of other vaccine products	**50,194**	106,616
Revenue from research and development services	**35**	2,847
Total	**1,264,073**	1,570,129

The Company's revenue from its primary business was RMB1,264.1 million in 2022, representing a decrease of RMB306.1 million or 19.5%, as compared to the revenue from its primary business of RMB1,570.1 million in 2021. The decrease is mainly due to the effect of the continuing spread of the COVID-19 pandemic (Omicron variant) in 2022 as the pandemic broke out in many cities and areas in China, and CDCs continued to allocate and focus their resources on COVID-19 prevention and containment, delaying procurement and vaccination of other vaccines except COVID-19 vaccines, which led to a decrease in sales volume of the Company. In addition, the COVID-19 prevention and containment measures adopted by the PRC government restricted the activities of people and pets, reducing incidents of animal bites and scratches, and therefore the demand for human rabies vaccines were affected to a certain extent. Furthermore, other competing products of human rabies vaccines started to enter the market with lot releases since 2022, resulting in a normalized competition for human rabies vaccines in China.

Cost of Sales

The Company's cost of sales primarily consisted of manufacturing cost, raw materials cost, direct labor cost and transportation cost.

The Company's cost of sales amounted to RMB236.4 million in 2022, representing a decrease of RMB39.0 million or 14.2%, as compared to the cost of sales of RMB275.4 million in 2021, primarily due to the decrease in sales volume in 2022, which caused a decrease in related cost of sales.

Management Discussion and Analysis

Gross Profit and Gross Margin

The Company's gross profit amounted to RMB1,027.7 million in 2022, representing a decrease of RMB267.0 million or 20.6%, as compared to the gross profit of RMB1,294.7 million in 2021, primarily due to the decrease in sales revenue.

The Company's gross margin amounted to 81.3% in 2022, representing a decrease of 1.2%, as compared to the gross margin of 82.5% in 2021, primarily due to the slight increase in labor cost, raw materials cost and manufacturing cost.

Other Income and Gains

The Company's other income and gains was primarily derived from income from government grants, bank interest income and gains from wealth management products.

The Company's other income and gains was RMB49.6 million in 2022, representing a decrease of RMB4.0 million or 7.4%, as compared to the other income and gains of RMB53.6 million in 2021, primarily due to a reduction in government grants received and reduction in foreign exchange gains in 2022.

Our operating expenses mainly include selling and distribution expenses, administrative expenses, and research and development costs. The following table sets forth a breakdown of our operating expenses:

	Year ended December 31,	
	2022 ***RMB'000***	2021 *RMB'000*
Selling and distribution expenses	**493,167**	460,114
Administrative expenses	**450,756**	1,167,979
Research and development costs	**500,310**	307,353
Total	**1,444,233**	1,935,446

Management Discussion and Analysis

Research and Development Costs

Nature	Year ended December 31, 2022 RMB'000	2021 RMB'000
Staff cost	**98,052**	86,310
Research materials costs	**106,417**	82,927
Professional service fees	**199,636**	82,784
Depreciation and amortization	**43,142**	34,126
Utility cost	**41,917**	13,536
Others	**11,146**	7,670
Total	**500,310**	307,353

The Company's research and development costs amounted to RMB500.3 million in 2022, representing an increase of RMB193.0 million or 62.8%, as compared to the research and development costs of RMB307.4 million in 2021, primarily because we consistently advanced the research and development of vaccine candidates, especially our mRNA COVID-19 vaccine candidate, serum-free rabies vaccine candidates and pneumococcal vaccine candidate series, which resulted in an increase in professional service fees related to clinical trials as well as an increase in raw material consumption and utility cost related to the production of vaccine samples for clinical uses, which resulted in increased research and development costs.

Selling and Distribution Expenses

The Company's selling and distribution expenses primarily consisted of marketing and promotion expenses, staff cost and market outreach expenses, etc. The marketing and promotion expenses primarily consisted of costs and expenses paid to our CSOs for various marketing and academic promotion activities, industry research and post-sales customer service. The staff cost primarily included salaries, share-based compensation, benefits and other compensation for our sales staff.

The Company's selling and distribution expenses amounted to RMB493.2 million in 2022, representing an increase of RMB33.1 million or 7.2%, as compared to the selling and distribution expenses of RMB460.1 million in 2021, primarily due to the increased share-based compensation expenses as part of staff cost in 2022, as partly offset by reduced expenses of promotion activities amid outbreaks of COVID-19.

Management Discussion and Analysis

Administrative Expenses

The Company's administrative expenses primarily consisted of staff cost, depreciation and amortization and professional service fees, etc. Professional service fees primarily included professional fees for auditing, lawyers, evaluation and consulting, etc.

The Company's administrative expenses amounted to RMB450.8 million in 2022, representing a decrease of RMB717.2 million or 61.4%, as compared to the administrative expenses of RMB1,168.0 million in 2021, primarily due to a large decrease in share-based compensation expenses of RMB787.9 million as part of staff cost in 2022, as partly offset by an increase in relevant professional service fees expenses of the IPO.

Finance Costs

The Company's finance costs primarily consisted of interest on bank loans and interest on lease liabilities.

The Company's finance costs amounted to RMB25.7 million in 2022, representing an increase of RMB15.0 million or 140.1%, as compared to the finance costs of RMB10.7 million in 2021, primarily due to the increase in interest on bank loans.

Income Tax Expenses

The Company's income tax was a credit of RMB203.5 million in 2022, representing a decrease of RMB272.7 million or 394.3%, as compared to the income tax expense of RMB69.2 million in 2021, primarily due to the decreased current income tax resulting from the decreased taxable income, and the decreased deferred income tax expenses due to the decrease in tax rate of a subsidiary from 25% to 15% arising from local income tax incentives.

Impairment Losses on Financial Assets

The Company's provision for impairment losses on financial assets amounted to RMB27.2 million in 2022, representing an increase of RMB19.2 million or 241%, as compared to the provision for impairment losses on financial assets of RMB8.0 million in 2021, primarily due to the increased provision for bad debts of receivables.

Management Discussion and Analysis

Loss for the Year

The Company's loss amounted to RMB230.6 million in 2022, representing a decrease of RMB445.2 million or 65.9%, as compared to the loss of RMB675.9 million in 2021, primarily due to a large decrease in share-based compensation expenses as part of staff cost in 2022, which was partly offset by a decrease in revenue and an increase in research and development costs.

Liquidity and Financial Resources

As at December 31, 2022, the Company's cash and cash equivalents and time deposits totaled RMB797.8 million, representing an increase of RMB151.1 million or approximately 23.4%, as compared to the cash and cash equivalents of RMB646.7 million as at December 31, 2021, which was primarily due to the completion of the IPO in 2022.

As at December 31, 2022, the Company's current assets amounted to approximately RMB2,548.7 million, and the current liabilities amounted to approximately RMB2,249.8 million, giving a current ratio of approximately 1.13.

Inventories

The Company's inventories balance amounted to RMB504.7 million as at December 31, 2022, representing an increase of RMB137.3 million or 37.4%, as compared to the inventories balance of RMB367.4 million as at December 31, 2021, primarily due to the increase in the stock of raw materials purchased by the Group in 2022 to prevent the shortage of raw materials and an increase of unfinished products, and the increase in the inventory of rabies vaccines caused by the decline in our sales volume as the COVID-19 pandemic affected the Group.

Trade Receivables

The carrying amount of the Company's receivables amounted to RMB1,052.6 million as at December 31, 2022, representing a decrease of RMB11.1 million or 1%, as compared to the carrying amount of receivables of RMB1,063.7 million as at December 31, 2021.

Management Discussion and Analysis

Capital Expenditure

The Company's capital expenditure amounted to RMB856.6 million in 2022, primarily for constructing new production facilities, purchasing new equipment for the industrialization of pipeline vaccines and upgrading current manufacturing facilities, and the capitalized expenditure of the vaccine candidate development. The Company's capital expenditure in 2022 decreased by RMB285.1 million or 25% as compared to RMB1,141.7 million in 2021, primarily due to a decrease in the expenditure for the vaccine industrialization construction project in 2022.

Borrowings and Gearing Ratio

The Company's total financial indebtedness (including interest-bearing bank borrowings, lease liabilities and amounts due to related parties) amounted to RMB1,398.7 million as at December 31, 2022, representing an increase of RMB748.2 million or 115%, as compared to the total financial indebtedness of RMB650.4 million as at December 31, 2021, primarily due to the increase in bank borrowings for industrialization construction and working capital in 2022.

The Company's gearing ratio (calculated by dividing total financial indebtedness by total equity as of the end of the period) was 23.9% as at December 31, 2022, representing an increase of 12.5%, as compared to the gearing ratio of 11.4% as at December 31, 2021, mainly due to the increase in the balance of bank borrowings.

Charge on Assets

As of December 31, 2022, part of the Group's bank loans were secured by (i) mortgages over the Group's buildings, which had a net carrying value as at December 31, 2022 of approximately RMB286.5 million (2021: approximately RMB160.5 million); (ii) mortgages over the Group's leasehold land, which had a net carrying value as at December 31, 2022 of approximately RMB61.1 million (2021: approximately RMB56.0 million); and (iii) guarantees provided by the Company and a subsidiary of the Group.

Save for the above, as of December 31, 2022, the Group did not have any other charges over its assets.

Foreign Exchange Exposure

Most of the Group's businesses and all bank loans have been traded in RMB so there is no significant foreign exchange fluctuation risk. The Board does not expect that fluctuations in the RMB exchange rate and exchange fluctuations of other foreign currencies will have a significant impact on the Group's business or performance. The Group currently has no relevant foreign exchange risk hedging policies and therefore it has not carried out any hedging transactions to manage the potential risks of foreign currency fluctuations.

Management Discussion and Analysis

Contingent Liabilities

As at December 31, 2022, the Group was subject to several legal claims, involving: (i) a dispute under a service contract with a CSO in the amount of approximately RMB12,539,000, and the Group has recorded liabilities amounting to RMB4,496,000 in relation to the aforementioned contract. On July 29, 2022, the first instance judgement of this legal claim was completed, and the Group was obliged to pay an amount of RMB4,483,000 to the CSO. On August 24, 2022, the CSO filed an appeal to the court against the judgment of the first instance. As at December 31, 2022, the second instance of this case had not yet been heard. The directors of the Company, based on the advice from the Group's internal legal counsel, are of the opinion that the second instance may likely maintain the original judgment according to the corresponding facts and legal basis; and (ii) a dispute over subrogation rights of a creditor. On December 3, 2021, a subsidiary of the Group received a notice from an intermediate people's court in respect of a claim against the subsidiary of the Group in respect of subrogation rights of a creditor. The amount of claim was approximately RMB80,198,000. On October 18, 2022, the first instance judgement of this legal claim was completed, and the subsidiary of the Group was obliged to pay an amount of RMB28,697,000 with the interest charge at loan prime rate. The subsidiary of the Group filed an appeal to the court against the judgment of the first instance and in the opinion of the directors, based on legal advice, it is more likely that the second instance will revise the judgment and reject all claims of the creditor according to the corresponding facts and legal basis. As at December 31, 2022, the second instance was in progress.

Except as disclosed above, as at December 31, 2022, the Group did not have any significant contingent liability that would have a material impact on its financial position or results of operations.

Management Discussion and Analysis

Purchase, Sale or Redemption of the Company's Listed Securities

During the period from the Listing Date to December 31, 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Employee and Remuneration Policy

As of December 31, 2022, we had approximately 1,576 employees, as compared to approximately 1,469 employees as of December 31, 2021. Total employee benefits expenses including Directors' remuneration in 2022 amounted to RMB608.0 million, as compared to the expenses of RMB1,311.6 million in 2021. Remuneration is determined with reference to performance, skills, qualifications and experience of the staff concerned and in accordance with the prevailing industry practice.

In addition to salaries and bonuses, other employee benefit expenses include pension, housing fund, medical insurance and other social insurance, as well as share-based payment expenses and others. We have adopted the employee stock incentive scheme prior to the IPO to offer valuable incentives to attract and retain quality personnel. We have been evaluating, and may adopt, new stock incentive schemes that comply with the requirements of the Listing Rules. The remuneration of the Directors is reviewed by the Remuneration Committee and approved by the Board. The relevant Director's experience, duties and responsibilities, time commitment, the Company's performance and the prevailing market conditions are taken into consideration in determining the emolument of the Directors.

Significant Investments, Acquisitions and Disposals

We did not have any significant investments, material acquisitions or material disposals of subsidiaries, associates and joint ventures during the year ended December 31, 2022.

Use of IPO Proceeds

We received approximately HK$91.61 million in net proceeds (the "**Net Proceeds**") from the IPO. Since the completion of the IPO and up to December 31, 2022, the Net Proceeds had not been utilized. Since January 2023, the Company has been utilizing, and intends to continue to utilize, the Net Proceeds in the manner consistent with that mentioned in the section headed "Future Plans and Use of Proceeds" of the Prospectus. For details of the Net Proceeds used as of January 31, 2023, please refer to the Company's announcement dated March 8, 2023.

Management Discussion and Analysis

	Net proceeds allocated for related purposes *(HK$'000)*	Percentage of total net proceeds *(%)*	Expected timing for full utilization of the unused amount
1. The development of our mRNA COVID-19 vaccine candidate, as follows[(1)]:	38,747	42.30	
(1) conduct clinical trials	31,144	34.00	On or before June 30, 2024
(2) obtain registration approvals	7,603	8.30	On or before June 30, 2024
2. The development of our pneumococcal vaccine candidates, including PCV13, PCV20 and PPSV23	6,412	7.00	On or before December 31, 2023
3. The development of other vaccine candidates in our pipeline	9,801	10.70	On or before December 31, 2023
4. To fund the capital expenditure on the construction of new production facilities for our new vaccine products, as follows:	32,060	35.00	
(1) to fund the capital expenditure on the new mRNA vaccine production facilities in Ningbo	23,503	25.66	On or before December 31, 2024
(2) to fund the capital expenditure on construction of new production facilities by Rong'an Bio for serum free Vero cell human rabies vaccine, including:	8,557	9.34	
(i) equipment procurement	5,575	6.09	On or before December 31, 2023
(ii) plant decontamination and renovation, and equipment installation and testing	2,982	3.25	On or before December 31, 2023
5. To be invested in our sales and marketing activities	4,590	5.00	N/A[(2)]
Total	**91,610**	**100.00**	

Notes:

(1) *In March 2023, our Company decided to cease the plan to commercialize this candidate, which is a monovalent mRNA COVID-19 vaccine against the original strain (i.e. the SARS-CoV-2 virus strain that caused the initial COVID-19 outbreak) of COVID-19, while it still needs to pay some research and development and clinical trial registration fees that have already been incurred.*

(2) *The net proceeds allocated for investing in sales and marketing activities were fully utilized during January 2023.*

Management Discussion and Analysis

Audit Committee

The audited consolidated annual financial information of the Group for the year ended December 31, 2022 has been reviewed by the Audit Committee.

Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Mr. Yan ZHOU (周延), aged 57, is an executive Director, chairman of the Board and the chief executive officer of our Company. He has served as a Director of our Company since May 2015 and was re-designated as an executive Director on June 9, 2021. Mr. Zhou has served as the chairman of the board of AIM Explorer since February 2021, the executive director of AIM Jianchi since May 2021 and the chairman of the board of Liverna since May 2021.

Mr. Zhou has around 10 years of experience in the biopharmaceutical industry, including experience in investment and management. Since May 2012, he has been the chairman of the board of Tibet Tianxia Holdings Group Co., Ltd. (西藏天下控股集團股份有限公司), a company engaged in venture capital investment and management with an aggregate investment of over RMB630 million between 2012 and 2021 in a number of pharmaceutical, consulting, management, investment, financial information and financing companies, where Mr. Zhou is primarily responsible for the overall work of the company. Mr. Zhou was a director of Liaoning Green Biological Pharmaceutical Group Co., Ltd. (遼寧格林生物藥業集團股份有限公司) ("**Liaoning Green Biological**"), a company engaged in the development and production of drugs such as small volume injections, freeze-dried powder injections, active pharmaceutical ingredients, tablets, hard capsules and drug mixtures with a registered capital of RMB115 million and net assets of approximately RMB130 million, from May 2013 to August 2018 and the chairman of its board from October 2011 to May 2013.

Mr. Zhou has invested in a number of pharmaceutical and healthcare companies. He indirectly owns Green Biological Group Co., Ltd. (格林生物集團有限公司) ("**Green Biological**"), a company engaged in the development of rehabilitation and gene immunotherapy technologies with a registered capital of RMB999.99 million, as to approximately 66.44%, which in turns directly owns (i) Liaoning Green Biological as to 73.02%, (ii) Green Immunoscience Co., Ltd. (格林免疫科學有限公司), a holding company which is a sole shareholder of Green Biopharmaceutical Technology (Tianjin) Co., Ltd. (格林生物醫藥科技(天津)有限公司), as to 76%, (iii) Aier Health Medicine (Liaoning) Co. Ltd. (艾爾健康醫藥(遼寧)有限公司), an innovative ophthalmological medicine research and development and manufacturing company, as to 75%, (iv) Aier Aesthetic Medicine (Shenyang) Co., Ltd. (瀋陽艾爾醫療美容有限公司), a company engaged in the research and development of aesthetic medicine, as to 70%, and (v) Liaoyang Jiade Blood Products Co., Ltd. (遼陽嘉德血液製品有限公司), a company engaged in the production of blood products, as to 51%, and indirectly owns Green Biopharmaceutical Technology (Tianjin) Co., Ltd. (格林生物醫藥科技(天津)有限公司), a company engaged in the research and development of the diagnosis of allergic diseases and respiratory infectious diseases and related immunotherapies for allergic diseases, as to 76%. Additionally, Mr. Zhou directly owns Huamei Genome Editing (Liaoning) Co., Ltd. (華美基因編輯技術(遼寧)有限公司), a company which has not yet commenced business operation, as to 99.99%.

Mr. Zhou obtained his master of business administration from Tsinghua University (清華大學) in the PRC in December 2014, and his doctor's degree of business administration from the W. P. Carey School of Business of Arizona State University in the U.S. ("**W. P. Carey**") in May 2015, and his master of business administration from Peking University (北京大學) in the PRC in January 2022. Mr. Zhou is also an honorary member of Westlake University Board of Trustees (西湖大學榮譽董事). He is the brother of Mr. Jie ZHOU and Mr. Xin ZHOU, the non-executive directors of the Company.

Directors, Supervisors and Senior Management

Mr. Wen GUAN (關文), aged 56, is an executive Director and an executive president of our Company and is responsible for assisting the chief executive officer to preside over the internal management of the Company. He has served as a Director of our Company since February 2021 and was re-designated as an executive Director on June 9, 2021. Prior to that, Mr. Guan served as a Director of our Company since December 2016 and served as the chairman of the supervisory committee of the Company from June 2020 to February 2021. He has been the chairman of the board of AIM Kanghuai since March 2021.

From November 2015 to August 2016, Mr. Guan was a director of TD Capital (Hong Kong) Management Company Limited, a company primarily engaged in equity investment, where Mr. Guan was primarily responsible for investment management. From October 2014 to November 2015, Mr. Guan served as the director of TD Capital Management Company Limited, a company primarily engaged in project investment, where Mr. Guan was primarily responsible for investment management.

Mr. Guan received his executive master of business administration degree from Shanghai Jiao Tong University (上海交通大學) in the PRC in March 2014 and his master's degree in business administration from Cheung Kong Graduate School of Business (長江商學院) in the PRC ("**CKGSB**") in September 2008.

Mr. Shaojun JIA (賈紹君), aged 60, has served as a Director of our Company since August 2017 and was re-designated as an executive Director on June 9, 2021. Mr. Jia also has served as an executive president of our Company since February 18, 2021, and has served as the chief operating officer of our Company since March 29, 2023. Mr. Jia is a director of AIM Explorer since December 2020, the chairman of AIM Weixin since March 2021, and the chairman of the board of Rong'an Bio since June 2021.

Mr. Jia has been a senior partner, member of the decision-making committee, executive president and general manager of Tibet Tongxin Capital Investment Management Co., Ltd. (西藏同信資本投資管理有限公司) from April 2017 to February 2021, a company primarily engaged in investment and asset management. From January 2007 to March 2017, he served as the chairman and general manager of Tibet Tongxin Securities Co., Ltd. (西藏同信證券股份有限公司), a company primarily engaged in securities trading and financial consulting. From August 1998 to September 2007, he held various positions at Guotai Junan Securities Co., Ltd. (國泰君安証券股份有限公司) (SSE: 601211; SEHK: 2611), such as executive vice president, assistant to chief executive officer and director of the marketing and sales of department. From September 1992 to August 1999, Mr. Jia was a branch general manager of Guotai Securities Co., Ltd. (國泰證券有限公司).

Mr. Jia received his bachelor's degree in business enterprise management from Henan Radio & Television University (河南廣播電視大學) (currently known as the Open University of Henan (河南開放大學)) in the PRC in July 1986 and obtained his executive master of business administration degree from W. P. Carey in May 2006.

Directors, Supervisors and Senior Management

Non-executive Directors

Mr. Jie ZHOU (周杰), aged 59, has served as a Director of our Company since May 2015 and was re-designated as a non-executive Director on June 9, 2021. Mr. Jie ZHOU served as the manager of our Company from December 2015 to December 2016 and the chairman of the Board from December 2016 to September 2020.

Mr. Jie ZHOU has served as a director of Tibet Tianxia Holdings Group Co., Ltd. (西藏天下控股集團股份有限公司) since May 2012. From May 2013 to May 2017, he has held various management positions at Liaoning Green Biological Pharmaceutical Group Co., Ltd. (遼寧格林生物藥業集團股份有限公司), including chairman, director and manager. In terms of his investment experiences, Mr. Jie ZHOU directly owns Jiuding Cellular Therapy Industry (Liaoning) Co., Ltd. (九鼎細胞治療產業(遼寧)有限公司), a company which has not commenced business operation, as to 99.99%, which in turn invests in Green Biological.

Mr. Jie ZHOU received his master's degree in business administration from CKGSB in September 2013. He is the brother of Mr. Yan ZHOU, the Executive Director, Chairman of the Board and CEO and the controlling shareholder of the Company, and Mr. Xin ZHOU, the non-executive director of the Company.

Mr. Xin ZHOU (周欣), aged 54, has served as a Director of our Company since May 2013 and was re-designated as a non-executive Director on June 9, 2021.

Prior to joining our Company, Mr. Xin ZHOU was an executive director and manager at Tibet Silicon Valley Angel Venture Capital Co., Ltd. (西藏硅谷天使創業投資有限公司) from June 2010 to December 2020. In terms of his investment experiences, Mr. Xin ZHOU directly owns Woye Biotechnology (Liaoning) Co., Ltd. (沃野生物技術(遼寧)有限公司), a company which has not commenced business operation, as to 99.99%, which in turn invests in Green Biological.

Mr. Xin ZHOU studied for an executive master of business administration from CKGSB in 2012 and received an executive master of business administration from Tsinghua University (清華大學) in June 2022. He is the brother of Mr. Yan ZHOU, Executive Director, Chairman of the Board and CEO and the controlling shareholder of the Company, and Mr. Jie ZHOU, non-executive director of the Company.

Directors, Supervisors and Senior Management

Mr. Jichen ZHAO (趙繼臣), aged 59, has served as a Director of our Company since June 2020 and was re-designated as a non-executive Director on June 9, 2021.

Mr. Zhao has been the chairman of China UniCredit International Group Company Limited (中聯信國際集團有限公司) since February 2017, a company primarily engaged in international trade, where he is primarily responsible for the overall leadership of the company's operations, development and daily business affairs. From January 2013 to January 2017, Mr. Zhao served as an executive director and vice president at the head office of Ping An Bank (平安銀行), where he was primarily responsible for risk management. From March 2002 to January 2013, Mr. Zhao held various senior management positions at China Minsheng Bank (中國民生銀行), including general manager of the risk management department, executive vice president, and risk management director. He also worked as a manager at the Industrial and Commercial Bank of China (中國工商銀行) from February 1984 to January 2002 and as a manager of the second-level branch of the People's Bank of China (中國人民銀行) from September 1982 to January 1984.

Mr. Zhao received his master's degree in business administration from Dalian University of Technology (大連理工大學) in the PRC in July 2006, and his doctor of business administration (global financial management) from W. P. Carey in 2015. He is a qualified senior economist recognized by the Industrial & Commercial Bank of China Senior Economist Appraisal Committee (中國工商銀行高級經濟師評審委員會) since August 1997.

Ms. Aijun WANG (王愛軍), aged 50, has served a Director of our Company since September 2017 and was re-designated as a non-executive Director on June 9, 2021.

Since February 2017, Ms. Wang has been the group chairwoman of the board of directors of MeiHua Holdings Group Co., Ltd. (梅花生物科技集團股份有限公司) (SSE: 600873) and served as its group general manager from April 2009 to February 2017. From March 2008 to April 2009, Ms. Wang served as the group general manager at Hebei MeiHua MSG Co., Ltd. (河北梅花味精有限公司). From January 1998 to March 2008, Ms. Wang worked as a sales manager assistant at Langfang MeiHua MSG Co., Ltd. (廊坊梅花味精有限公司).

As of December 31, 2022, Ms. Wang served as the sole director of Lhasa Meihua Biological Investment Holdings Co., Ltd. (拉薩梅花生物投資控股有限公司), which has a discloseable interest in the Shares pursuant to Part XV of the SFO.

Ms. Wang completed the executive master of business administration course in CKGSB in October 2009. She received her bachelor's degree in business management from Harbin Institute of Technology (哈爾濱工業大學) in the PRC in January 2017 and completed her financial chief executive officer course in CKGSB in October 2016. She has been studying for a program in global technology and finance development at the PBC School of Finance of Tsinghua University (清華大學五道口金融學院) in the PRC since October 2016.

Directors, Supervisors and Senior Management

Independent Non-executive Directors

Professor Ker Wei PEI, aged 66, was appointed as our independent non-executive Director on September 19, 2020.

Professor Pei has been a tenured professor of accountancy at W. P. Carey since July 1998. He was the assistant lecturer of W. P. Carey from January 1986 to June 1992, associate professor from July 1992 to July 1998, high-tech master of business administration from July 1998 to June 2003, associate dean from July 2003 to June 2013, and dean of the China Program from July 2013 to June 2017. Professor Pei was the chairman of the American Accounting Association's Globalization Initiatives Committee from 1997, and the president of the Chinese Accounting Professors' Association of North America (北美華人會計教授協會) from 1993 to 1994.

Professor Pei has served as an external director of China Merchants Group Limited (招商局集團有限公司) since June 2015, an independent non-executive director of Zhejiang Expressway Co., Ltd. (SEHK: 0576) ("**Zhejiang Expressway**") since June 2013, an independent non-executive director of Want Want China Holdings Limited (SEHK: 0151) since June 2007, and an independent non-executive director of Zhong An Real Estate Limited (SEHK: 0672) since June 2008. Professor Pei served as an independent non-executive director of MMG Limited (SEHK: 1208) from July 2015 to December 2019 and Baoshan Iron & Steel Co., Ltd. (SSE: 600019) from May 2006 to May 2012, and as an external director of China Baowu Steel Group Corporation Limited (中國寶武鋼鐵集團), the holding company of Baoshan Iron & Steel Co., Ltd., from February 2012 to September 2019. In particular, Professor Pei has served as the chairman of the audit committee of Zhejiang Expressway since April 2018, where he reviewed financial statements for the quarterly, interim and annual results, discussed the internal audit, the effectiveness of internal control system and total risk management, and made recommendation on the re-appointment of external auditors.

Professor Pei received his bachelor's degree in accounting in June 1979, his master's degree in accountancy from Southern Illinois University in the U.S. in May 1981, and his PhD degree from the University of North Texas in the U.S. in May 1986. He is a member of American Accounting Association.

Mr. Xiaoguang GUO (郭曉光), aged 50, was appointed as our independent non-executive Director on February 18, 2021.

From September 2017 to February 2021, Mr. Guo was the general manager of Huaxi Jinzhi Investment Co., Ltd. (華西金智投資有限責任公司), a company primarily engaged in investment. From March 2011, he served as an assistant to the president and a general manager of the investment banking head office of Huaxi Securities Co., Ltd. (華西證券股份有限公司). From February 1998, he served as a senior manager, deputy general manager and general manager successively of the business department of the investment banking division of Guosen Securities Company Limited (國信證券股份有限公司).

Mr. Guo received his bachelor's degree in economics from Beijing Business College (北京商學院) (currently known as the Beijing Technology and Business University (北京工商大學)) in the PRC in June 1993 and his master's degree in business administration from CKGSB in October 2009. He obtained the qualification certificate of independent directors from the Shanghai Stock Exchange in April 2021.

Directors, Supervisors and Senior Management

Mr. Hui OUYANG (歐陽輝), aged 60, was appointed as our independent non-executive Director on May 28, 2021.

Mr. Ouyang is the dean's distinguished chair professor of finance of CKGSB and is the academic director of the executive master of business administration program since July 2019. He was also an associate professor of finance in CKGSB from December 2010 to February 2013 and its associate dean of the master of business administration program from January 2018 to June 2019. Before joining CKGSB, Mr. Ouyang worked at a number of investment banks including UBS AG, Nomura Securities Co., Ltd. and Lehman Brothers Holdings Inc.

Mr. Ouyang has been the independent non-executive director of Ping An Insurance (Group) Company of China, Ltd. (SEHK: 2318) since August 2017 and Duiba Group Limited (HKEX: 1753) since April 2019.

Mr. Ouyang received his bachelor's degree in chemistry from Hunan Normal University (湖南師範大學) in the PRC in July 1982 and his master's degree in chemistry from Peking University (北京大學) in the PRC in July 1985. Mr. Ouyang also received his PhD degree from Tulane University in the U.S. in December 1990, his post-doctorate degree in chemical physics from California Institute of Technology in the U.S. in October 1993 and his PhD degree in business administration from the University of California, Berkeley in the U.S. in May 1998.

Ms. Jie WEN (文潔), aged 59, was appointed as our independent non-executive Director on May 28, 2021.

From March 2011 to March 2014, Ms. Wen worked as the strategy and planning officer of the Sinopharm CNBG (China National Pharmaceutical Group, China National Biotec Group) (中國國藥集團中國生物技術股份有限公司). From August 2001 to February 2011, she served as the vice president of Shenzhen BGI Technology Co., Ltd. (深圳華大基因科技有限公司) (SZSE: 300676), a company primarily engaged in genomics research and development. From March 1985 to July 2001, she worked as the officer of diagnostic supplies at Lanzhou Institute of Biological Products Co., Ltd. (蘭州生物製品研究所有限責任公司). In 2004, she was engaged as an adjunct professor by HeXi University (河西學院).

Ms. Wen received her college degree in chemistry from HeXi University in the PRC in 1981 and her doctorate degree of health administration from Warnborough College in Ireland on December 31, 2021. Ms. Wen is recognized by the Ministry of Health of the PRC as a senior engineer in medical biologics engineering in 1997.

In November 2015, Ms. Wen was granted the National Science and Technology Progress Award (國家科學技術進步獎) by the State Council of China for her series of studies on Etiology and prevention of SARS.

Directors, Supervisors and Senior Management

SUPERVISORS

Mr. Tingfeng SONG (宋廷鋒), aged 54, has served as the chairman of the Supervisory Committee since February 2021.

From May 2012 to December 2019, Mr. Song served as a senior vice president, chief financial officer and secretary to the board of directors of Trendy (China) Group Co., Ltd. (赫基(中國)集團股份有限公司), a company primarily engaged in clothing wholesale and retail, and goods wholesale. He was the chief financial officer of China National Pharmaceutical Group Co., Ltd. (中國生物技術集團公司) from June 2010 to December 2011, CNBG from December 2006 to June 2010, and China National Medicines Corporation Ltd. (國藥集團藥業股份有限公司) (SSE: 600511) from July 2003 to December 2006. From June 2010 to December 2011, Mr. Song has served as an independent non-executive director of Bringspring Science and Technology Co., Ltd. (榮科科技股份有限公司) (SZSE: 300290), a company primarily engaged in the technologies relating to smart medicine and smart cities. He has also served as an independent non-executive director of SIASUN Robot & Automation Co., Ltd. (瀋陽新松機器人自動化股份有限公司) (SZSE: 300024) since May 2014, a company primarily engaged in robotics and automation equipment.

Mr. Song received his master's degree in accounting from Liaoning University (遼寧大學) in the PRC in June 1999. He was awarded his PhD degree in management and his PhD degree in accounting from Renmin University of China (中國人民大學) in June 2002 and July 2002 respectively. He received the title of senior accountant in 2005.

Mr. Lun MA (馬倫), aged 61, has served as a Supervisor of our Company since December 2015.

Mr. Ma has over 25 years of experience in financial accounting, treasury, corporate finance and taxation matters. He has served as the finance director of Tibet Silicon Valley Angel Venture Capital Co., Ltd. (西藏硅谷天使創業投資有限公司), a company primarily engaged in project investment, investment management and investment consulting, since September 2008 and was the finance manager of Shen Yang Fang Tian Co., Ltd. (瀋陽房天股份有限公司), a company primarily engaged in real estate, from August 1992 to August 2008.

Mr. Ma graduated from the department of economics of Shenyang Radio and Television University (瀋陽市廣播電視大學) with a major in industrial statistics in the PRC in July 1986, and has been an accountant since June 1992.

Mr. Jiashuai SONG (宋嘉帥), aged 27, graduated from Hubei Qichun No. 4 High School (湖北蘄春第四高級中學) in the PRC in June 2013 and has served as the employee Supervisor of our Company since June 2020.

Mr. Song joined our Company on September 19, 2018 as a specialist.

Directors, Supervisors and Senior Management

SENIOR MANAGEMENT

Mr. Yan ZHOU (周延) is our executive Director, chairman of the Board and chief executive officer. For the biography of Mr. Zhou, see "－Directors－Executive Directors" of this section.

Mr. Wen GUAN (關文) is our executive Director and general executive president. For the biography of Mr. Guan, see "－Directors－Executive Directors" of this section.

Mr. Shaojun JIA (賈紹君) is our executive Director, executive president and chief operating officer. For the biography of Mr. Jia, see "－Directors－Executive Directors" of this section.

Ms. Lixin NIU (牛立新), aged 51, has been serving as our chief financial officer since she joined our Company in October 2015. She is in charge of our Company's financial management.

Ms. Niu has many years of experience in financial management. Prior to joining our Company, she served as the vice president (finance) of Liaoning Nuokang Bio-Pharmaceutical Co., Ltd. (諾康生物製藥有限責任公司) from December 2006 to December 2011.

She received her bachelor's degree in accounting from Shenyang University of Technology in June 1993 and her executive master of business administration degree from W.P. Carey in May 2020. She was recognized by the Liaoning Provincial Department of Human Resources and Social Security as a senior accountant in December 2006 and recognized by the Liaoning Institute of Certified Public Accountants as a PRC certified public accountant in June 2009.

Ms. Ling LIU (劉靈), aged 40, has served various management positions since she joined our Company in November 2011 and has served as the secretary to the Board since November 2015 and chief investment officer since March 2022. She is in charge of the general office of the Board and investment management of the Company. Her main responsibilities include such matters as information disclosure, investor relations, equity management and corporate governance of the Company. She was appointed as a director of Liverna since May 2021.

Ms. Liu has been the chairwoman of the board of Rong'an Bio from December 2019 to June 2021. From February 2014 to January 2019, she was a director of AIM Weixin. From August 2007 to May 2011, Ms. Liu served as the manager of the research and development department and vice president at Tibet Bohai Investment Holding Co., Ltd. (西藏渤海投資集團有限公司), a company primarily engaged in industrial investment and investment management.

Ms. Liu received her executive master of business administration degree from W.P. Carey in May 2018.

Directors, Supervisors and Senior Management

Mr. Fan ZHANG (張凡), aged 37, has served as the chief research officer of our Company since March 2021. He is in charge of products and technology research and development and management of clinical trial registration.

Mr. Zhang joined our Group in May 2019 and has served as the general manager of AIM Explorer since March 2021. He was the deputy general manager of AIM Explorer from August 2019 to March 2021 and the research and development director of AIM Explorer from May 2019 to August 2019. From September 2013 to April 2018, he served various positions at Wuhan Bravovax Co., Ltd. (武漢博沃生物科技有限公司), a company primarily engaged in the research and development of vaccines, with the last position being the senior director of the fermentation engineering laboratory. From May 2010 to February 2013, he served various positions at Yuxi Walvax Biotechnology Co., Ltd. (玉溪沃森生物技術有限公司), a company primarily engaged in the research and development, production and sales of vaccine, with the last position being the head of pertussis fermentation of diphtheria tetanus pertussis vaccine department.

Mr. Zhang obtained his bachelor's degree in biological engineering from Wuhan Institute of Technology (武漢工程大學) in June 2009 and a master's degree in biopharmaceutical engineering from Huazhong University of Science and Technology (華中科技大學) in December 2017.

Mr. Zhenyu LIN (林振宇), aged 48, has served as the chief marketing officer of our Company since March 2022. He is in charge of the marketing management of our Company.

Mr. Lin served as a vice president of our Company since he joined our Company in December 2018 to March 2022. From June 2015 to December 2018, he was the regional director in vaccine sales at Shenzhen Sanofi Pasteur Biological Products Co., Ltd. (深圳賽諾菲巴斯德生物製品有限公司), a company primarily engaged in research, development and sales of vaccine. From November 1997 to May 2015, he worked in various positions at Xian Janssen Pharmaceutical Ltd. (西安楊森製藥有限公司), a company primarily engaged in the research and development and sales of medicine, with the last position as the sales director of South China region. From August 1996 to October 1997, he worked as a teaching assistant in the anatomy teaching and research division of the department of basic medicine of Fujian Medical University (福建醫科大學).

Mr. Lin obtained his bachelor's degree in medicine from Fujian Medical College (福建醫學院) (currently known as the Fujian Medical University (福建醫科大學)) in July 1996, and his master's degree in business administration from Xiamen University (廈門大學) in September 2012.

Directors, Supervisors and Senior Management

Ms. Wenjuan ZHOU (周文娟), aged 45, joined our Company in October 2018 and has served as the chief public affairs officer of our Company since March 2022. She is in charge of the management of external affairs of our Company and is responsible for establishing good public relations and creating a good market environment for the development of the whole industrial chain of the Group.

From February 2011 to October 2018, Ms. Zhou served various positions at Shenzhen Sanofi Pasteur Biological Products Co., Ltd. (深圳賽諾菲巴斯德生物製品有限公司), including national regulatory exemption project development director, national key account management director, senior government affairs manager, and regional government affairs manager. From December 2008 to February 2011, she worked at Pfizer Pharmaceuticals Ltd. (輝瑞製藥有限公司) (formerly known as Wyeth Pharmaceutical Co., Ltd. (惠氏製藥有限公司)), a research and development-based multinational pharmaceutical company.

Ms. Zhou received a postgraduate diploma in managerial psychology from the Institute for China Business, HKU SPACE (香港大學 SPACE 中國商業學院) in May 2021.

Ms. Li MENG (孟麗), aged 58, has served as the chief quality officer of our Company since April 2022. She is in charge of the overall quality management of the Company.

Ms. Meng served as the vice president of quality management department of our Company since she joined our Company in April 2020. From August 2013 to April 2020, she served as the director of the quality management department of China Biotechnology Technology Co., Ltd. (中國生物技術股份有限公司), a company primarily engaged in the research and development, production and sale of biological medicine and the holding company of Beijing Tiantan Biological Products Corp. Ltd. (北京天壇生物製品股份有限公司) (SSE: 600161). From July 1985 to August 2013, Ms. Meng served various positions at Chengdu Institute of Biological Products Co., Ltd. (成都生物製品研究所(有限責任公司)), a company primarily engaged in the research and production of biological products, with her last position being the manager of the quality assurance department.

Ms. Meng received her bachelor' degree in health inspection from West China University of Medical Sciences (華西醫科大學) (currently known as West China Center of Medical Sciences of Sichuan University (四川大學華西醫學中心)) in the PRC in July 1985. From 1992 to 1994, she attended the post-university biologics course at the Post-University Biologics Continuing Education Committee of the Ministry of Health (衛生部大學後生物製品進修教學委員會) in the PRC, and received the completion certificate (equivalent to graduate level) in December 1994.

Report of the Directors

The Board is pleased to present this annual report for the year 2022 and the audited consolidated financial statements of the Group for the Reporting Period. These financial statements were prepared in accordance with IFRSs and have been audited by Ernst & Young.

GLOBAL OFFERING

The Company is a joint stock company incorporated in the PRC with limited liability. Its H shares were listed and commenced trading on the Main Board of the Stock Exchange on October 6, 2022. The Prospectus of the Company dated September 23, 2022 has been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.aimbio.com). For use of proceeds from the Global Offering, please refer to the section headed "Management Discussion and Analysis" in this annual report.

PRINCIPAL ACTIVITIES

The Group is primarily engaged in the research and development, manufacturing and commercialization of vaccine products for human use in the PRC.

The activities and particulars of the Company's subsidiaries are shown under note 1 to the consolidated financial statements. An analysis of the Group's revenue and operating profit for the year by principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report.

BUSINESS REVIEW

The description of principal risks and uncertainties that the Group may be facing, a fair review of the Group's business during the Reporting Period, and the probable future business development of the Group are provided in the "Corporate Governance Report" and "Management Discussion and Analysis" on pages 59 to 78 and on pages 7 to 28 of this annual report, respectively.

Also, the financial risk management objectives and policies of the Group can be found in note 41 to the consolidated financial statements. An analysis of the Group's performance during the Reporting Period using financial key performance indicators is provided in the section headed "Financial Review" on pages 18 to 25 of this annual report. In addition, discussions on the relationships with its staff, customers and suppliers is also contained in the section headed "Environmental, Social and Governance Report" on pages 79 to 114 of this annual report.

ENVIRONMENTAL PROTECTION

The Group recognizes the importance of proper adoption of environmental policies which is essential to the sustainability of corporate growth. The Group has established detailed internal rules regarding environmental protection, especially the discharge of air, water and solid waste and noise control based on applicable laws and regulations.

To the best of the Group's knowledge, during the Reporting Period, the Group had complied with the applicable environment laws and regulations in the PRC in all material respects. Please refer to pages 79 to 114 of this annual report for the Environmental, Social and Governance Report of the Company prepared in compliance with the provisions set out in the Environmental, Social and Governance Reporting Guide in Appendix 27 to the Listing Rules.

Report of the Directors

DIVIDEND

The Board does not recommend the payment of a final dividend for the 12 months ended December 31, 2022.

FOUR-YEAR FINANCIAL SUMMARY

A summary of the Group's operating results, assets and liabilities for the past four financial years is set out on page 215 of this annual report. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Reporting Period are set out in note 13 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the percentage of the major customers and suppliers in the Group's total sales and purchase are as follow:

	Percentage in the Group's total	
	Sales	**Purchases**
Largest customer	2.1%	
Total of the five largest customers	6.3%	
Largest supplier		11.5%
Total of the five largest suppliers		27.1%

None of the Directors or any of their respective close associates (as defined under the Listing Rules) or any Shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest suppliers or the Group's five largest customers.

TAX RELIEF AND EXEMPTION

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

Report of the Directors

SHARE CAPITAL

On October 6, 2022, the Company allotted and issued 9,714,000 H Shares at the price of HK$16.16 per H Share in connection with the Listing. On October 28, 2022, the over-allotment option described in the Prospectus was partially exercised in respect of an aggregate of 1,348,600 H Shares at the price of HK$16.16 per H Share. The Company received approximately HK$91.61 million in net proceeds from the Listing.

Share capital of the Company as at December 31, 2022 was as follows:

	Number of shares	Approximate percentage of total issued share capital
Domestic Shares	718,888,888	59.36%
H Shares	492,173,711	40.64%
Total	**1,211,062,599**	**100%**

Details of movements in the share capital of the Company during the year ended December 31, 2022 are set out in note 30 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company during the Reporting Period are set out in the consolidated statement of changes in equity and note 32 to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVE

As at December 31, 2022, the Company had no distributable reserve (as at December 31, 2021: nil).

DIVIDEND POLICY

The Group has adopted a dividend policy (the "**Dividend Policy**"). The Dividend Policy provides that, in recommending or declaring dividends, the Company shall retain adequate cash reserves for its capital requirements, future growth and equity value. The Board has the power to declare and distribute dividends to the Shareholders in accordance with the Articles and all applicable laws. In considering the declaration of dividends, the Board shall take into account the following factors of the Group:

- financial results;
- cash flow position;
- business conditions and strategies;
- future operations and earnings;
- capital requirements and expenditure plans;
- interests of the Shareholders;
- any restrictions on the payment of dividends; and
- any other factors that the Board may consider relevant.

Report of the Directors

The Board reviews the Dividend Policy from time to time and there can be no assurance that dividends will be paid in any particular amount for any given period.

DIRECTORS AND SUPERVISORS

The Directors and Supervisors during the Reporting Period and as at the date of this annual report are as follows:

Executive Directors

Mr. Yan ZHOU (周延) *(Chairman)*
Mr. Wen GUAN (關文)
Mr. Shaojun JIA (賈紹君)

Non-Executive Directors

Mr. Jie ZHOU (周杰)
Mr. Xin ZHOU (周欣)
Mr. Jichen ZHAO (趙繼臣)
Ms. Aijun WANG (王愛軍)

Independent Non-Executive Directors

Professor Ker Wei PEI
Mr. Xiaoguang GUO (郭曉光)
Ms. Jie WEN (文潔)
Mr. Hui OUYANG (歐陽輝)

Supervisors

Mr. Tingfeng SONG (宋廷鋒) *(Chairman of the board of Supervisors)*
Mr. Lun MA (馬倫)
Mr. Jiashuai SONG (宋嘉帥)

The biographical information of the Directors and Supervisors are set out in the section headed "Directors, Supervisors and Senior Management" on pages 29 to 38 of this annual report.

DISCLOSURE OF INFORMATION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE OF THE COMPANY PURSUANT TO RULES 13.51(2) AND 13.51B(1) OF THE LISTING RULES

There is no change of information of Directors, Supervisors and chief executive of the Company during the Reporting Period which is required to be disclosed pursuant to Rules 13.51(2) and 13.51B of the Listing Rules.

Report of the Directors

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Controlling Shareholder's Interests in Contracts of Significance" below, the Group has not entered into any transaction, arrangement or contract of significance in which the Group's Directors or Supervisors have direct or indirect material interests during the Reporting Period.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

On January 1, 2020, the Company as lessee and Mr. Yan ZHOU, who is the Controlling Shareholder and an executive Director, as lessor entered into certain property lease agreements (the "**Property Lease Agreements**"), pursuant to which the Company agreed to lease from Mr. Yan ZHOU certain premises with a total gross area of approximately 1,979 sq.m. in Shanghai, PRC primarily for use as offices for a term from January 1, 2020 to December 31, 2024 at an annual rental of RMB9,540,000 for the first year and with a RMB0.5 per square meter increase from the second year and third year, respectively.

Save as disclosed above, the Controlling Shareholder does not have and did not have a material interest, either directly or indirectly, in any contract of significance, whether for the provision of services or otherwise, to the business of the Group to which the Company or any of its subsidiaries was a party during the Reporting Period.

NON-COMPETITION AGREEMENT

Mr. Yan ZHOU, our Controlling Shareholder, confirms that as of December 31, 2022, he did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business that would require disclosure under Rule 8.10 of the Listing Rules.

Save as disclosed above, no non-competition agreements or arrangement has been provided by any of the substantial Shareholders at any time during the Reporting Period or as at December 31, 2022.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Reporting Period, none of the Directors or their respective associates (as defined under the Listing Rules) had engaged in or had any interest in any business which competes or may compete, either directly or indirectly, with the business of the Group.

Report of the Directors

EMOLUMENTS OF THE DIRECTORS, SUPERVISORS AND THE FIVE HIGHEST-PAID INDIVIDUALS

The Remuneration Committee makes recommendations to the Board on the remuneration and other benefits payable by the Group to the Directors and senior management. Based on the main scope, responsibilities, importance of management posts of the Directors and senior management and the salary level of related posts in other similar enterprises, the Remuneration Committee will make recommendations to the Board on the remuneration policy and structure of all the Company's Directors and senior management and establishment of formal and transparent procedures to formulate remuneration policies, with an aim to attract and retain its Directors and senior management and control costs. The Remuneration Committee also examines the performance of duties by the Directors and senior management of the Company, conducts annual performance appraisals on them, formulates annual award schemes and submits them to the Board for decision and implementation, so as to encourage Directors and senior management to perform their duties diligently. Furthermore, the Remuneration Committee oversees the implementation of the Company's remuneration system to continuously enhance the Company's remuneration and appraisal management.

Details of emoluments of Directors, Supervisors and the top five highest-paid individuals are set out in note 8 and note 9 to the consolidated financial statements, respectively. During the Reporting Period, except for the Directors and the Supervisors who did not receive remuneration from the Company, none of the Directors has waived or agreed to waive any emoluments. During the Reporting Period, no emoluments were paid to any Director or Supervisor as an inducement to join or upon joining the Group or as compensation for loss of office.

RETIREMENT AND EMPLOYEES' BENEFIT SCHEME

Details on retirement and employees' benefit schemes of the Company are set out in note 2.4 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISION

At no time during the Reporting Period and as at the date of this report, there was or is, any permitted indemnity provision being in force for the benefit at any of the Directors or Supervisors of the Company (whether made by the Company or otherwise) or the directors or supervisors of an associated corporation of the Company (if made by the Company).

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

Report of the Directors

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

As of December 31, 2022, the interests and short positions of the Directors, the Supervisors and the chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (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 (including interests and short positions which he/she is keen to taken or deemed to have under such provisions of the SFO), or as recorded in the registered maintained by the Company under Section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name	Class of Shares	Nature of Interest	Number of Shares held/ interested[(1)]	Approximate percentage in the respective class of share capital[(2)]	Percentage in total number of Shares[(2)]
Mr. Yan ZHOU (周延)[(3)]	Domestic Shares	Interest in a controlled corporation	210,135,235	29.23%	17.35%
		Beneficial owner	200,000,000	27.82%	16.51%
Mr. Jie ZHOU (周杰)	Domestic Shares	Beneficial owner	40,000,000	5.56%	3.30%
Mr. Xin ZHOU (周欣)	Domestic Shares	Beneficial owner	40,000,000	5.56%	3.30%
Mr. Shaojun JIA (賈紹君)[(4)]	Domestic Shares	Interest in a controlled corporation	25,000,000	3.48%	2.06%
Ms. Aijun WANG (王愛軍)[(5)]	Domestic Shares	Interest in a controlled corporation	25,000,000	3.48%	2.06%
Ms. Aijun WANG (王愛軍)[(5)]	H Shares	Interest in a controlled corporation	25,000,000	5.08%	2.06%
Mr. Yan ZHOU (周延)[(3)]	H Shares	Interest in a controlled corporation	23,254,765	4.72%	1.92%
Mr. Shaojun JIA (賈紹君)[(4)]	H Shares	Interest in a controlled corporation	10,310,000	2.09%	0.85%

Notes:

(1) All interests stated are long positions.

(2) Based on a total of 1,211,062,599 Shares in issue as at December 31, 2022, which consists of 718,888,888 Domestic Shares and 492,173,711 H Shares.

Report of the Directors

(3) Mr. Yan ZHOU directly owns 200,000,000 Domestic Shares. In addition to his direct shareholding in the Company, Mr. Yan ZHOU holds 99.99% of the registered capital of Tibet Sincere Heart Enterprise Management Co., Ltd. (西藏赤誠之心企業管理有限公司) ("**Tibet Sincere Heart**"), which directly owns 200,000,000 Domestic Shares. Mr. Yan ZHOU is also the sole shareholder of Shenyang Dongjian Yuanfang Enterprise Management Co., Ltd. (瀋陽洞見遠方企業管理有限公司), which is the general partner of Shenyang Zhongrenxing Enterprise Management Center (Limited Partnership) (瀋陽眾人行企業管理中心(有限合夥)) ("**Zhongrenxing**"). Zhongrenxing directly owns 10,135,235 Domestic Shares and 23,254,765 H Shares. As such, Mr. Yan ZHOU is deemed to be interested in the Shares held by Tibet Sincere Heart and Zhongrenxing under the SFO.

(4) Mr. Shaojun JIA is the sole shareholder of Tibet Zhiying Investment Co., Ltd. (西藏智盈投資有限公司) ("**Tibet Zhiying**"), which directly owns 5,000,000 Domestic Shares. Mr. Shaojun JIA also holds 98% of the registered capital of Tibet Tongxin Capital Investment Management Co., Ltd. (西藏同信資本投資管理有限公司), which is the general partner of Gongqingcheng Everest Investment Management Partnership (Limited Partnership) (共青城珠峰投資管理合夥企業(有限合夥)) ("**Everest Investment**") and Gongqingcheng Everest No. 2 Investment Management Partnership (Limited Partnership) (共青城珠峰二號投資管理合夥企業(有限合夥)) ("**Everest No. 2 Investment**"). Everest Investment directly owns 20,000,000 Domestic Shares and 5,150,000 H Shares. Everest No. 2 Investment directly owns 5,160,000 H Shares. As such, Mr. Shaojun JIA is deemed to be interested in the Shares held by Tibet Zhiying, Everest Investment and Everest No. 2 Investment under the SFO.

(5) Ms. Aijun WANG is the sole director of Lhasa Meihua. Lhasa Meihua directly owns 25,000,000 Domestic Shares and 25,000,000 H Shares. As such, Ms. Aijun WANG is deemed to be interested in the Shares held by Lhasa Meihua under the SFO.

Save as disclosed above, as of December 31, 2022, to the knowledge of the Board, none of the Directors, the Supervisors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors, the Supervisors and chief executive of the Company were taken or deemed to have under such provisions of the SFO); (ii) recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES

As of December 31, 2022, according to the register kept by the Company pursuant to Section 336 of the SFO and so far is known to, or can be ascertained after reasonable enquiry by the Directors, the following persons/entities had an interest or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or are directly and indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company (the interests in Shares and/or short positions, if any, disclosed herein are in addition to those disclosed in respect of the Directors, Supervisors and chief executive of the Company):

Report of the Directors

Interests in the Shares of the Company

Name	Class of Shares	Nature of Interest	Number of Shares[1]	Approximate percentage in the respective class of Shares[2]	Percentage in total number of Shares[2]
Tibet Sincere Heart Enterprise Management Co., Ltd. (西藏赤誠之心企業管理有限公司) ("**Tibet Sincere Heart**")[3]	Domestic Shares	Beneficial owner	200,000,000	27.82%	16.51%
Ms. Aihua YANG (楊愛華)[4]	Domestic Shares	Interest in a controlled corporation	44,300,000	6.16%	3.66%
Shanghai Xunjing Enterprise Management Center (Limited Partnership) (上海循景企業管理中心(有限合夥)) ("**Shanghai Xunjing**")[4]	Domestic Shares	Interest in a controlled corporation	44,300,000	6.16%	3.66%
Tibet Yingfeng Industrial Co., Ltd. (西藏盈豐實業有限公司) ("**Tibet Yingfeng**")[4]	Domestic Shares	Beneficial owner	44,300,000	6.16%	3.66%
Ms. Aihua YANG (楊愛華)[4]	H Shares	Interest in a controlled corporation	55,700,000	11.32%	4.60%
Shanghai Xunjing[4]	H Shares	Interest in a controlled corporation	55,700,000	11.32%	4.60%
Tibet Yingfeng[4]	H Shares	Beneficial owner	55,700,000	11.32%	4.60%
Ningbo Beilun District State-owned Capital Operation Co., Ltd. (寧波市北侖區國有資本運營有限公司)[5]	H Shares	Interest in a controlled corporation	54,051,428	10.98%	4.46%
Ningbo Free Trade Zone Holdings Co., Ltd. (寧波保税區控股有限公司) ("**Ningbo Free Trade Zone**")[5]	H Shares	Beneficial owner	54,051,428	10.98%	4.46%

Report of the Directors

Name	Class of Shares	Nature of Interest	Number of Shares[1]	Approximate percentage in the respective class of Shares[2]	Percentage in total number of Shares[2]
Mr. Wei CHANG (常偉)[6]	H Shares	Interest in a controlled corporation	40,000,000	8.13%	3.30%
Kuo ZHANG (張闊)[6]	H Shares	Interest in a controlled corporation	40,000,000	8.13%	3.30%
Zhuhai Tongdao Tomorrow Investment Partnership (Limited Partnership) (珠海同道明天投資合夥企業(有限合夥) ("**Zhuhai Tongdao Tomorrow**")[6]	H Shares	Interest in a controlled corporation	40,000,000	8.13%	3.30%
Shenyang Xixi Enterprise Management Consulting Co., Ltd. (瀋陽茜茜企業管理諮詢有限公司) ("**Shenyang Xixi**")[6]	H Shares	Beneficial owner	40,000,000	8.13%	3.30%
Lihua LI (李麗華)[7]	H Shares	Interest in a controlled corporation	40,000,000	8.13%	3.30%
Fengchen WANG (王鳳臣)[7]	H Shares	Interest in a controlled corporation	40,000,000	8.13%	3.30%
Chong ZHANG (張崇)[7]	H Shares	Interest in a controlled corporation	40,000,000	8.13%	3.30%
Tibet Oriental Wisdom Investment Management Co., Ltd. (西藏東方智慧投資管理有限公司) ("**Tibet Oriental Wisdom**")[7]	H Shares	Interest in a controlled corporation	40,000,000	8.13%	3.30%
Yongzhou Qingteng Trading Partnership (Limited Partnership) (永州青藤貿易合夥企業(有限合夥)) ("**Yongzhou Qingteng**")[7]	H Shares	Beneficial owner	40,000,000	8.13%	3.30%

Report of the Directors

Name	Class of Shares	Nature of Interest	Number of Shares(1)	Approximate percentage in the respective class of Shares(2)	Percentage in total number of Shares(2)
China Merchants Bank Co., Ltd.(8)	H Shares	Interest in a controlled corporation	37,230,000	7.56%	3.07%
CMB International Capital Holdings Co., Ltd. (招銀國際金融控股有限公司)(8)	H Shares	Interest in a controlled corporation	37,230,000	7.56%	3.07%
CMB International Capital Co., Ltd. (招銀國際金融有限公司)(8)	H Shares	Interest in a controlled corporation	37,230,000	7.56%	3.07%
CMB Capital Holdings (Shenzhen) Co., Ltd. (招銀金融控股(深圳)有限公司)(8)	H Shares	Interest in a controlled corporation	37,230,000	7.56%	3.07%
CMB International Capital Management (Shenzhen) Co., Ltd. (招銀國際資本管理(深圳)有限公司)(8)	H Shares	Interest in a controlled corporation	37,230,000	7.56%	3.07%
Meihua Holdings Group Co., Ltd. (梅花生物科技集團股份有限公司)(9)	H Shares	Interest in a controlled corporation	25,000,000	5.08%	2.06%
Lhasa Meihua Biological Investment Holdings Co., Ltd. (拉薩梅花生物投資控股有限公司) (“**Lhasa Meihua**”)(9)	H Shares	Beneficial owner	25,000,000	5.08%	2.06%

Report of the Directors

Notes:

(1) All interests stated are long positions.

(2) Based on a total of 1,211,062,599 Shares in issue as at December 31, 2022, which consists of 718,888,888 Domestic Shares and 492,173,711 H Shares.

(3) As set out under the heading "Interests and short positions of the Directors, Supervisors and chief executive of the Company in the Shares, underlying shares and debentures of the Company" above, the Shares held by Tibet Sincere Heart are deemed to be included in the interest of Mr. Yan ZHOU under the SFO.

(4) Ms. Aihua YANG is the general partner of, and holds 76.75% of the interest in, Shanghai Xunjing. Shanghai Xunjing owns 42.68% of the interest in Tibet Yingfeng, which directly owns 44,300,000 Domestic Shares and 55,700,000 H Shares. As such, Ms. Aihua YANG and Shanghai Xunjing are deemed to be interested in the Shares held by Tibet Yingfeng under the SFO.

(5) Ningbo Beilun District State-owned Capital Operation Co., Ltd. owns 91.71% of the interest in Ningbo Free Trade Zone. Ningbo Free Trade Zone directly owns 54,051,428 H Shares. As such, Ningbo Beilun District State-owned Capital Operation Co., Ltd. is deemed to be interested in the Shares held by Ningbo Free Trade Zone under the SFO.

(6) Mr. Wei CHANG and Mr. Kuo ZHANG own 49% and 51% of the interest in Zhuhai Tongdao Tomorrow respectively, with Mr. Kuo ZHANG also acting as its general partner. Zhuhai Tongdao Tomorrow owns 61.25% of the interest in Shenyang Xixi. Shenyang Xixi directly owns 40,000,000 H Shares. As such, Mr. Wei CHANG, Mr. Kuo ZHANG and Zhuhai Tongdao Tomorrow are deemed to be interested in the Shares held by Shenyang Xixi under the SFO.

(7) Lihua LI and Fengchen WANG own 51% and 49% of the interest in Tibet Oriental Wisdom respectively. Tibet Oriental Wisdom is the general partner of Yongzhou Qingteng. Chong ZHANG holds 90% of the interest in Yongzhou Qingteng and is its limited partner. Yongzhou Qingteng directly owns 40,000,000 H Shares. As such, Lihua LI, Fengchen WANG, Chong ZHANG and Tibet Oriental Wisdom are deemed to be interested in the Shares held by Yongzhou Qingteng under the SFO.

(8) China Merchants Bank Co., Ltd. (SEHK: 03968) wholly owns CMB International Capital Holdings Co., Ltd., which owns 83.20% of the interest in CMB International Capital Co., Ltd.. CMB International Capital Co., Ltd. wholly owns CMB Capital Holdings (Shenzhen) Co., Ltd., which in turn wholly owns CMB International Capital Management (Shenzhen) Co., Ltd.. CMB International Capital Management (Shenzhen) Co., Ltd. wholly owns and manages CMB Growth II Investment (Shenzhen) Partnership (Limited Partnership) (招銀成長貳號投資(深圳)合夥企業(有限合夥)) and Shenzhen Zhaoyin Longyao Growth Equity Investment Fund Partnership (Limited Partnership) (深圳市招銀朗曜成長股權投資基金合夥企業(有限合夥)) as general partner of both partnerships. Both partnerships directly hold 17,990,000 H Shares and 19,240,000 H Shares respectively. As such, the interests of the two partnerships are deemed to be included in the interests of China Merchants Bank Co., Ltd., CMB International Capital Holdings Co., Ltd., CMB International Capital Co., Ltd., CMB Capital Holdings (Shenzhen) Co., Ltd. and CMB International Capital Management (Shenzhen) Co., Ltd. under the SFO.

(9) Lhasa Meihua is a wholly-owned subsidiary of Meihua Holdings Group Co., Ltd. (SSE: 600873). Lhasa Meihua directly owns 25,000,000 Domestic Shares. As such, Meihua Holdings Group Co., Ltd. is deemed to be interested in the Shares held by Lhasa Meihua under the SFO.

Report of the Directors

Substantial shareholders of other members of the Group

Name	Member of the Group	Nature of Interest	Approximate percentage held by the substantial shareholder in the member of the Group
Zhuhai Hengqin Ruifan Technology Partnership (Limited Partnership) (珠海橫琴瑞凡科技合夥企業(有限合夥))	Liverna	Beneficial owner	32.2%
Zhuhai Hengqin Qijing Technology Partnership (Limited Partnership) (珠海橫琴麒晶科技合夥企業(有限合夥))	Liverna	Beneficial owner	11.0%
Zhuhai Ruijin Technology Partnership (Limited Partnership) (珠海瑞進科技合夥企業(有限合夥))	Liverna	Beneficial owner	6.6%
Chengdu Bole Action Biological Products Co., Ltd. (成都伯樂行動生物製品有限公司)	AIM Jianchi	Beneficial owner	10.0%

Save as disclosed above, as of December 31, 2022, to the knowledge of the Directors, no other person had, or were deemed or taken to have interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the registry kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

No arrangement has been made by the Company or any of its subsidiaries for any Director or Supervisor to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any other body corporate, and no rights to any share capital or debentures of the Company or any other body corporate were granted to any Director or their respective spouse or children under 18 years of age, nor were any such rights exercised during or at the end of the Reporting Period.

Report of the Directors

PRE-IPO ESOP

The Pre-IPO ESOP was adopted by the Company on November 30, 2020 and was amended on February 16, 2022. All of the options available under the Pre-IPO ESOP were fully granted on November 30, 2020. The terms of the Pre-IPO ESOP are summarized below:

(a) ***Purpose.*** The purpose of the Pre-IPO ESOP is to establish a long-term incentive mechanism of the Company in order to attract and retain talents and to directly link the personal interests of the grantees under the Pre-IPO ESOP with those of the Shareholders, thereby promoting sustained, long-term and healthy growth of the Company.

(b) ***Eligible Participants.*** Participants that joined the Pre-IPO ESOP included the Directors, Supervisors, senior management, core technical personnel and core business personnel of the Company, as well as other employees as determined and approved by the Board at time of granting the options of the Pre-IPO ESOP.

(c) ***Maximum Number of Shares.*** The maximum number of underlying Shares which may be issued pursuant to the Pre-IPO ESOP is 12,106,666 Shares, representing approximately 1% of the total share capital of the Company as at the date of this report. The maximum number of Shares involved with the options to be granted to a grantee under the Pre-IPO ESOP shall not exceed 1% of the total outstanding share capital of our Company. As of December 31, 2022, all outstanding options had been granted and no further options may be granted under the Pre-IPO ESOP. The Shares to be issued upon the exercise of the Share Options may be H Shares or Domestic Shares.

(d) ***Exercise Price.*** The exercise price per Share subject to an option is RMB6.98. In the event of any share dividend, share split, recapitalization or any other change affecting the Shares or the price per Share, the Board shall make such proportionate adjustments of the exercise price in accordance with the terms of the Pre-IPO ESOP.

(e) ***Term of the Pre-IPO ESOP.*** The Pre-IPO ESOP took effect on November 30, 2020 will expire in 84 months thereafter. Subject to the termination provisions under the Pre-IPO ESOP, upon its expiry, any option that is outstanding shall remain in force according to the terms of the Pre-IPO ESOP.

(f) ***Grant and Exercise of Options.*** The options were granted based on the evaluation of performance of the grantees. Exercise of the options is subject to certain terms and conditions under the Pre-IPO ESOP, such as the attainment of performance milestones. If the performance of our Company and the relevant grantee as well as other conditions are not fulfilled in the stipulated period, or if the grantee resigns from our Group, options may be cancelled by our Company.

Report of the Directors

As of the date of the Prospectus, Share Options under the Pre-IPO ESOP were granted to 88 grantees, including 4 senior management members of our Company and 84 employees of our Group to subscribe for an aggregate of 12,106,666 Shares. From the date of the Prospectus to December 31, 2022, no further Share Options were granted under the Pre-IPO ESOP. As of December 31, 2022, the total number of Shares in respect of which Share Options had been granted and remained outstanding decreased to 11,806,666 (representing approximately 0.97% of the Shares in issue as at December 31, 2022). The decrease was due to the cancellation of Share Options held by employees that have resigned from the Group since being granted Share Options. The principal terms of the Pre-IPO ESOP and details of the grant of Share Options are set out in the Prospectus of the Company.

Particulars of the movement of the Share options held by the senior management of the Company and other employees of the Group during the Reporting Period were as follows:

Name or category of participants	Date of Grant	Exercise Price *RMB*	Vesting and exercise period	As at September 16, 2022[(1)]	Granted during the year	Exercised during the year	Lapsed/ expired during the year	Cancelled/ forfeited during the year	As at December 31, 2022
Senior Management									
Lixin NIU (牛立新)	November 30, 2020	6.98	Note 2	400,000	–	–	–	–	400,000
Ling LIU (劉靈)	November 30, 2020	6.98	Note 2	400,000	–	–	–	–	400,000
Fan ZHANG (張凡)	November 30, 2020	6.98	Note 2	300,000	–	–	–	–	300,000
Li MENG (孟麗)	November 30, 2020	6.98	Note 2	300,000	–	–	–	–	300,000
Other Employees	November 30, 2020	6.98	Note 2	10,706,666	–	–	–	300,000 (Note 3)	10,406,666
Total				12,106,666	–	–	–	300,000	11,806,666

Notes:

(1) Being the latest practicable date for the purpose of ascertaining certain information contained in the Prospectus before its publication.

(2) The options shall be vested as follows: (i) as to 30% of the aggregate number of options between December 1, 2022 and November 30, 2023; (ii) as to 30% of the aggregate number of options between December 1, 2023 and November 29, 2024; and (iii) as to 40% of the aggregate number of options between December 2, 2024 and November 30, 2027. The exercise period is from the date of grant until the date falling 84 months thereafter.

(3) The Share Options were cancelled because the relevant grantees resigned from our Group.

Report of the Directors

If all such Share Options were exercised, there would be a dilution effect on the shareholdings of Shareholders of approximately 0.97% as at December 31, 2022.

The estimated value of the Share Options granted under the Pre-IPO ESOP during the year ended December 31, 2020, calculated using the binomial lattice model as at the Date of Grant of the options was approximately RMB186,958,000.

The binomial lattice model is a generally accepted method of valuing options. The significant assumptions used in the calculation of the values of the Share Options were risk-free rate of interest, dividend yield, volatility and early exercise multiple. The measurement date used in the valuation calculations was the date on which the options were granted.

Share price (RMB)	12.43 each, 12.74 each and 13.48 each
Expected exercise multiple	2.60
Exercise price (RMB)	6.98
Expected volatility (%)	43.64%-45.78%
Expected dividend yield (%)	–
Risk-free interest rate (%)	3.02%-3.08%
Expected life of options (year)	3 years – 7 years

The expected volatility is based on the historical volatility (calculated based on the expected life of the Share options), adjusted for any expected changes to future volatility due to public available information. The expected dividends are based on historical dividends. The risk-free interest rate is based on the yield of Hong Kong Exchange Fund Notes with a maturity life equal to the life of the Share option.

The fair value calculated for the Share Options is inherently subjective due to the assumptions made and the limitations of the model utilized.

The Group recognized the share-based expenses of approximately RMB60,827,000 (2021: RMB28,586,000) for the Reporting Period in relation to Share Options granted by the Company.

CONNECTED TRANSACTIONS

During the Reporting Period, there was no connected transaction or continuing connected transaction of the Group which has to be disclosed in accordance with the Listing Rules.

MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed in the paragraph headed "Connected Transactions" in this annual report, the related party transactions as set out in note 38 to the consolidated financial statements are not regarded as connected transactions or were exempt from reporting, announcement and Shareholders' approval requirements under the Listing Rules.

Report of the Directors

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE, REDEMPTION OR CANCELLATION OF LISTED SECURITIES

Since the Listing Date and up to December 31, 2022, nether the Company nor any of its subsidiaries purchased, sold, redeemed or cancelled any of the Company's listed securities.

EQUITY-LINKED AGREEMENT

Save as disclosed in the paragraph headed "PRE-IPO ESOP" above, the Company had not entered into any equity-linked agreement during the Reporting period, nor did any equity-linked agreement subsist as at December 31, 2022.

BANK BORROWINGS

Particulars of bank borrowings of the Company and the Group as of December 31, 2022 are set out in note 27 to the consolidated financial statements.

DONATIONS

During the Reporting Period, the Group donated RMB130,000.

MANAGEMENT CONTRACTS

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

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. Save as disclosed in the section headed "Corporate Governance Report", the Board is of the opinion that the Company has complied with the applicable code provisions under the CG Code throughout the period from the Listing Date to December 31, 2022. Principal corporate governance practices adopted by the Company are set out in the section headed "Corporate Governance Report" on pages 59 to 78 of this annual report.

Report of the Directors

SUFFICIENCY OF PUBLIC FLOAT

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

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

We have obtained bank loans which were drawn under a RMB500.0 million bank loan facility that we obtained in July 2021 for the construction of new production facilities at AIM Weixin (the "**Loan Facility**"). As of December 31, 2022, we failed to satisfy certain covenants under the Loan Facility, including (a) a covenant that requires our Company to become listed by the end of 2021 and (b) a financial covenant. In accordance with the terms of the Loan Facility, these bank loans became repayable on demand. Despite our failure to comply with the said covenants, we were allowed to make further drawings under the Loan Facility. As at December 31, 2022, the lending bank has not made any demand for immediate repayment of the relevant bank loans.

Save as disclosed above, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

CLOSURE OF THE REGISTER OF MEMBERS

For the purpose of determining the right to attend and vote at the forthcoming annual general meeting and H Share class meeting of the Company to be held on Sunday, May 28, 2023, the register of members of the Company will be closed from Monday, May 22, 2023 to Sunday, May 28, 2023 (both days inclusive), and unregistered holders of H Shares of the Company should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's H Share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. (Hong Kong time) on Friday, May 19, 2023.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

There was no incident of non-compliance with relevant laws and regulations that had a significant impact on the Group during the Reporting Period.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

On March 8, 2023, the Board approved the resolutions relating to the proposed issuance of not more than a total of 242,212,519 unlisted RMB denominated ordinary shares to (a) no more than 35 qualified investors, which do not include any existing Shareholders, and (b) existing Shareholders (if any). As at the date of approval of this report, the Company has not applied to the CSRC or other relevant regulatory authorities in respect of the proposed issuance or entered into any subscription agreement. The details of the plan for the proposed issuance have not been finalized.

Report of the Directors

AUDITORS

The consolidated financial statements for the year ended December 31, 2022 were prepared in accordance with IFRSs and have been audited by Ernst & Young. Since the date of preparation for the IPO, the Company has been engaging Ernst & Young for their services. There is no change in auditors in any of the preceding three years. Ernst & Young will retire and, being eligible, offer themselves for re-appointments as the auditors of the Company at the forthcoming AGM.

By order of the Board
AIM Vaccine Co., Ltd.
Mr. Yan ZHOU
Chairman of the Board, Executive
Director and Chief Executive Officer

Beijing, the PRC, March 29, 2023

Report of the Supervisory Committee

The Supervisory Committee, in compliance with the relevant requirements of the Company Law of the PRC and the Articles, has conducted its work in accordance with the fiduciary principle, and has taken up an active role to work seriously and with diligence to protect the interests of the Company and the Shareholders.

During the Reporting Period, the Supervisory Committee reviewed the development plans of the Company cautiously and provided reasonable suggestions and opinions to the Board. It also strictly and effectively monitored and supervised the Company's management in making significant policies and decisions to ensure that they are in compliance with the relevant requirements of the Company Law of the PRC and the Articles, and in the interests of the Shareholders.

We have reviewed and agreed to the report of the Directors and the audited financial statements for presentation at the forthcoming AGM. We are of the opinion that the Directors, the chief executive officer and other senior management of the Company are able to strictly observe their fiduciary duty, to act diligently, to exercise their authority faithfully in the best interests of the Company and to work in accordance with the Articles. The transactions between the Company and connected persons are in the interests of the Shareholders as a whole and under fair and reasonable terms.

As of today, none of the Directors and senior management of the Company had been found to have abused their authority, damaged the interests of the Company or infringed upon the interests of the Shareholders and employees. None of them was found to be in breach of any laws and regulations or the Articles.

The Supervisory Committee is satisfied with the achievement and cost-effectiveness of the Company in 2022 and has great confidence in the future prospect of the Company.

By Order of the Supervisory Committee
AIM Vaccine Co., Ltd.
Tingfeng SONG
Chairman of the Supervisory Committee

Beijing, the PRC
March 29, 2023

Corporate Governance Report

The Board is pleased to report to the Shareholders on the corporate governance of the Company for the period from the Listing Date to December 31, 2022.

CORPORATE GOVERNANCE CULTURE AND VALUE

The managing body of AIM Vaccine with the Board as the core adheres to AIM Vaccine's values on compliance, and builds a corporate image of honesty and integrity by being deeply involved from top to bottom in all aspects of production, operation and management.

All the staff in AIM Vaccine strictly comply with various laws and regulations of the PRC and AIM Vaccine's business conduct codes, and will not tolerate any act that breaches laws and business ethics.

AIM Vaccine also requires all the staff and every business partner to be law-abiding and honest. We will not tolerate any acts that breach the law or professional ethics, particularly offering and accepting bribes and unfair competition.

On the condition of complying with laws and regulations, AIM Vaccine's values and the rules and regulations of AIM Vaccine, each department of the Group guarantees the staff's individual development, safeguards the healthy and orderly operation of group companies and ensures the healthy and stable development of the Group.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high corporate governance standards.

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 Corporate Governance Code on the Stock Exchange as the basis of the Company's corporate governance practices.

In the opinion of the Directors, throughout the period from the Listing Date to December 31, 2022, the Company has complied with the code provisions as set out in the Corporate Governance Code except as disclosed in this Corporate Governance Report.

The Company has also put in place certain recommended best practices as set out in the Corporate Governance Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has devised its own code of conduct regarding Directors' and Supervisors' dealings in the Company's securities on terms no less exacting than the Model Code.

The Company has made specific inquiries to all Directors and Supervisors and they all confirmed that they complied with the standards specified in the Company's own code throughout the period from the Listing Date to December 31, 2022.

The Company has also established written guidelines no less exacting than the Model Code for securities transactions by employees who, because of such office or employment, are likely to possess inside information in relation to the Company or its securities. During the period from the Listing Date to December 31, 2022, no incident of non-compliance of the written guidelines by the employees was noted by the Company.

Corporate Governance Report

BOARD OF DIRECTORS

The Company is headed by an effective Board which assumes responsibility for its leadership and control and be collectively responsibility for promoting the Company's success by directing and supervising the Company's affairs. Directors take decisions objectively in the best interests of the Company.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and regularly reviews the contribution required from a Director to perform his responsibilities to the Company and whether the Director is spending sufficient time performing them that are commensurate with their role and the Board responsibilities. The Board includes a balanced composition of executive directors and non-executive directors (including independent non-executive directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

Board Composition

The composition of the Board as at the date of this report is as follows:

Executive Directors

Mr. Yan ZHOU *(Chairman of the Board and Chief Executive Officer)*
Mr. Wen GUAN *(Executive President)*
Mr. Shaojun JIA *(Executive President and Chief Operating Officer)*

Non-Executive Directors

Mr. Jie ZHOU
Mr. Xin ZHOU
Mr. Jichen ZHAO
Ms. Aijun WANG

Independent Non-Executive Directors

Professor Ker Wei PEI
Mr. Xiaoguang GUO
Mr. Hui OUYANG
Ms. Jie WEN

The biographical information of the Directors is set out in the section headed "Directors, Supervisors and Senior Management" on pages 29 to 38 of this annual report. Save as disclosed therein, there is no other relationships (including financial, business, family or other material/relevant relationship(s)) between the Board members.

Corporate Governance Report

Board Meetings and Directors' Attendance Records

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.

During the Reporting Period, the Board has held six meetings. The attendance record of each Director at the Board meetings is set out in the table below:

Name of Director	Number of Meetings Attended/Held
Executive Directors	
Mr. Yan ZHOU	6/6
Mr. Wen GUAN	6/6
Mr. Shaojun JIA	6/6
Non-Executive Directors	
Mr. Jie ZHOU	6/6
Mr. Xin ZHOU	6/6
Mr. Jichen ZHAO	6/6
Ms. Aijun WANG	6/6
Independent Non-Executive Directors	
Professor Ker Wei PEI	6/6
Mr. Xiaoguang GUO	6/6
Mr. Hui OUYANG	6/6
Ms. Jie WEN	6/6

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 operation 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 judgment on corporate actions and operations.

Corporate Governance Report

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.

The Board reserves for its decision on 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 employees' liabilities in respect of any legal actions taken against Directors, Supervisors and senior management arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

Chairman and Chief Executive Officer

Code provision C.2.1 of Part 2 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Yan ZHOU currently serves as the chairman of the Board as well as the chief executive officer of the Company. The Board believes that, in view of Mr. Zhou's experience, personal profile and his roles in the Company, Mr. Zhou has extensive understanding of our business as the chief executive officer and is therefore the Director best suited to identify strategic opportunities and the focus of the Board. The combined role of chairman of the Board and chief executive officer of the Company by the same individual can promote the effective execution of strategic initiatives and facilitate the flow of information between management and the Board. The Board will continue to review and consider splitting the roles of chairman of the Board and the chief executive officer at an appropriate time by taking into account the circumstances of the Group as a whole.

Independent Non-executive Directors

During the period from the Listing Date to December 31, 2022, 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 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.

Corporate Governance Report

Board Independence Evaluation

The Company has established a Board Independence Evaluation Mechanism which sets out the processes and procedures to ensure a strong independent element on the Board, and allows the Board effectively exercises independent judgment to better safeguard Shareholders' interests.

The objectives of the evaluation are to improve Board efficiency, maximise strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Pursuant to the Board Independence Evaluation Mechanism, the Board will conduct annual review on its independence. The Board Independence Evaluation Report will be presented to the Board which will collectively discuss the results and the action plan for improvement, if appropriate.

The Company has conducted independent evaluation of the Board for the Reporting Period, and the evaluation results are satisfactory.

Since the Company was only listed on the Stock Exchange on October 6, 2022, the Board conducted the annual review on the implementation and effectiveness of the Board Independence Evaluation Mechanism in March 2023.

Appointment and Re-election of Directors

Under the Articles, Directors (including non-executive Directors) shall be elected at the general meeting with a term of three years. Each of the current non-executive Directors have been appointed for a term of three years commencing on September 21, 2020. A Director may serve consecutive terms if re-elected upon the expiry of his/her term. A Director shall continue to perform his duties in accordance with the laws, administrative regulations and Articles until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of directors results in the number of directors being less than the quorum. The Articles also provides that each Director appointed to fill a casual vacancy or as addition to the Board shall hold office until the first general meeting after his/her appointment. The retiring Directors shall be eligible for re-election.

Each of the executive Directors, non-executive Directors, independent non-executive Directors and Supervisors has entered into a service contract with the Company with a specific term. Such service contracts are for a term commencing from the date of appointment to the expiry of the current session of the Board.

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

Corporate Governance Report

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 and full awareness of 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.

All Directors are encouraged to attend relevant training courses at the Company's expenses.

Prior to the Listing Date and up to December 31, 2022, the Company organized training sessions conducted by the legal advisers for all Directors. The training sessions 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 have been provided to the Directors for their reference and studying.

The training records of the Directors up to date of this annual report are summarized as follows:

Directors	Type of Training *Note*
Executive Directors	
Mr. Yan ZHOU	A/B
Mr. Wen GUAN	A/B
Mr. Shaojun JIA	A/B
Non-Executive Directors	
Mr. Jie ZHOU	A/B
Mr. Xin ZHOU	A/B
Mr. Jichen ZHAO	A/B
Ms. Aijun WANG	A/B
Independent Non-Executive Directors	
Professor Ker Wei PEI	A/B
Mr. Xiaoguang GUO	A/B
Mr. Hui OUYANG	A/B
Ms. Jie WEN	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

Corporate Governance Report

BOARD COMMITTEES

The Board has established five committees, namely, the Audit Committee, Remuneration and Appraisal Committee, Nomination Committee, Strategy Committee and Compliance and Risk Control 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 Audit Committee, Remuneration and Appraisal Committee and Nomination Committee are published on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

Audit Committee

The Audit Committee consists of five members, namely Professor Ker Wei PEI (independent non-executive Director), Mr. Jie ZHOU (non-executive Director), Mr. Xin ZHOU (non-executive Director), Mr. Xiaoguang GUO (independent non-executive Director) and Mr. Hui OUYANG (independent non-executive Director). Professor Ker Wei PEI is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the Corporate Governance Code and the PRC laws. The main duties of the Audit Committee are to review the financial status of the Company, review the financial information of the Company, make judgment on the truthfulness, completeness and accuracy of the financial information, and check the implementation and effectiveness of the internal control systems. It is also mainly responsible for the communication between the Company and the external audit firms and the supervision and verification of such communication, supervising internal audit, evaluating and improving the internal control systems of the Company and making proposals thereto and assessing the risks of, among others, the significant investment projects under operation, and developing and reviewing the policies and practices on corporate governance of the Company. The Audit Committee shall report to the Board on its work.

As the Company was listed on the Stock Exchange on October 6, 2022, the Board considers that no Audit Committee meeting was required during the period from the Listing Date to December 31, 2022. During the period from January 1, 2022 to October 5, 2022, the Audit Committee held one meeting to review the financial statements of the Company for the period from January 1, 2019 to December 31, 2021, the settlement of accounts for the year 2021 and the proposed appointment of auditor. The attendance record of each member of the Audit Committee meeting is set out in the table below:

Name of Members of the Audit Committee	Number of Meetings Attended/Held
Professor Ker Wei PEI	1/1
Mr. Jie ZHOU	1/1
Mr. Xin ZHOU	1/1
Mr. Xiaoguang GUO	1/1
Mr. Hui OUYANG	1/1

Corporate Governance Report

Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee consists of five members, namely Mr. Xiaoguang GUO (independent non-executive Director), Mr. Yan ZHOU (executive Director), Mr. Wen GUAN (executive Director), Professor Ker Wei PEI (independent non-executive Director), and Ms. Jie WEN (independent non-executive Director). Mr. Xiaoguang GUO is the chairman of the Remuneration and Appraisal Committee.

The terms of reference of the Remuneration and Appraisal Committee are of no less exacting terms than those set out in the Corporate Governance Code and the PRC laws. The primary functions of the Remuneration and Appraisal Committee include researching and formulating the assessment standards of and evaluating the Directors and senior management, as well as putting forward opinions or suggestions. It is also responsible for researching, formulating and reviewing the remuneration plans or schemes of the Directors and senior management.

The remuneration of the senior management (excluding executive Directors), whose biographical details are included in the section headed “Directors, Supervisors and Senior Management” of this annual report, during the period from the Listing Date to December 31, 2022 includes salaries, allowances and benefits in kind, performance-related bonuses, pension scheme contributions and equity-settled share-based compensation expenses, and falls within the following bands:

Remuneration (RMB’000)	**Number of Individuals**
400-500	2
800-900	2
1,100-1,200	2

The Company’s remuneration policy is to ensure that the remuneration offered to the Directors, Supervisors and senior management, is based on skill, knowledge, responsibilities and involvement in the Company’s affairs. The remuneration and compensation packages of the Directors, Supervisors and senior management are also determined with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and Supervisors and the performance of the Group. The remuneration for the Directors and Supervisors comprises fees, salaries, allowances, benefits in kind, performance-related bonuses, equity-settled share-based compensation expense and pension scheme contributions. Individual Directors and senior management have not been involved in deciding their own remuneration.

Corporate Governance Report

As the Company was listed on the Stock Exchange on October 6, 2022, the Board considers that no Remuneration and Appraisal Committee meeting was required during the period from the Listing Date to December 31, 2022. During the period from January 1, 2022 to October 5, 2022, the Remuneration and Appraisal Committee held two meetings to examine the performance of duties by the directors and senior management of the Company, to conduct annual performance appraisals on them and to formulate annual incentives schemes. The Remuneration and Appraisal Committee has also reviewed and approved proposed amendments in relation to the Pre-IPO ESOP, which involve the reduction in the number of options and grantees as a result of the grantees' resignation and the updates of relevant laws and regulations. The attendance record of each member of the Remuneration and Appraisal Committee meetings is set out in the table below:

Name of Members of the Remuneration and Appraisal Committee	Number of Meetings Attended/Held
Mr. Xiaoguang GUO	2/2
Mr. Yan ZHOU	2/2
Mr. Wen GUAN	2/2
Professor Ker Wei PEI	2/2
Ms. Jie WEN	2/2

Nomination Committee

The Nomination Committee consists of three members, namely Mr. Hui OUYANG (independent non-executive Director), Mr. Yan ZHOU (executive Director) and Mr. Xiaoguang GUO (independent non-executive Director). Mr. Hui OUYANG 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 Corporate Governance Code and the PRC laws. The principal duties of the Nomination Committee include considering selection of directors (including independent non-executive Directors) and senior management of the Company, the selection criteria and procedures thereof, as well as putting forward opinions and recommendations to the Board.

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 Board Diversity Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

As the Company was listed on the Stock Exchange on October 6, 2022 and there was no change in the structure, size and composition of the Board, the Board considers that no Nomination Committee meeting was required during the Reporting Period.

Strategy Committee

The Strategy Committee consists of five members, namely Ms. Jie WEN (independent non-executive Director), Mr. Yan ZHOU (executive Director), Mr. Jichen ZHAO (non-executive Director), Professor Ker Wei PEI (independent non-executive Director) and Mr. Hui OUYANG (independent non-executive Director). Ms. Jie WEN is the chairman of the Strategy Committee.

Corporate Governance Report

The primary duties of the Strategy Committee are to conduct research on and provide advice in relation to the long-term development strategies and major investment decisions of the Company.

As the Company was listed on the Stock Exchange on October 6, 2022, the Board considers that no Strategy Committee meeting was required during the Reporting Period in accordance with its terms of reference.

Compliance and Risk Control Committee

The Compliance and Risk Control Committee consists of five members, namely Mr. Yan ZHOU (executive Director), Mr. Wen GUAN (executive Director), Mr. Shaojun JIA (executive Director), Mr. Jie ZHOU (non-executive Director) and Ms. Aijun WANG (non-executive Director). Mr. Yan ZHOU is the chairman of the Compliance and Risk Control Committee.

The primary duties of the Compliance and Risk Control Committee are to conduct research on and assess the operational compliance and risk control of the Company, and to provide advice in relation to improvement of corporate governance and risk control of the Company.

As the Company was listed on the Stock Exchange on October 6, 2022, the Board considers that no Compliance and Risk Control Committee meeting was required during the Reporting Period in accordance with its terms of reference.

Board Diversity Policy

The Company has adopted a Board Diversity Policy in order to enhance the effectiveness of the Board and to maintain a high standard of corporate governance.

Pursuant to the Board Diversity Policy, the Company seeks to achieve diversity of the Board through the consideration of a wide range of factors, including but not limited to gender, age, cultural and educational background, industry experience, technical capabilities, professional qualifications and skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Board has a balanced mixed of knowledge and skills, including overall management and strategic development, finance, accounting and risk management in addition to industry experience in healthcare and pharmaceuticals. The Directors obtained degrees in various majors including business administration, finance, accounting, economics and chemistry. The Company has four Independent Non-executive Directors with different industry background, representing more than one-third of the members of the Board.

Corporate Governance Report

For the purpose of implementation of the Board Diversity Policy, the Board has set the measurable objective that at least one member of the Board shall be female and would review such objective from time to time to ensure its appropriateness and ascertain the progress made towards achieving that objective.

As of the date of this report, the Board consists of nine male Directors and two female Directors.

The Nomination Committee and the Board are of the view that the current composition of the Board has achieved the above objective set in accordance with the Board Diversity Policy.

The Nomination Committee will review the Board Diversity Policy annually to ensure its effectiveness.

Gender Diversity

The Company values gender diversity across all levels of the Group. The Company has taken, and will continue to take, steps to promote gender diversity at all levels of the Company, including but not limited to the Board and the senior management levels.

The following table sets out the gender ratio in the workforce of the Group, including the Board, Supervisors and senior management as at the date of this annual report:

	Female	**Male**
Board	18.18% (2)	81.82% (9)
Supervisors	0.00% (0)	100.00% (3)
Senior Management	44.44% (4)	55.56% (5)
Other employees	49.33% (773)	50.67% (794)
Overall workforce	48.99% (779)	51.01% (811)

Details on the gender ratio of the Group together with relevant data can be found in the Environmental, Social and Governance Report on pages 79 to 114 of this annual report.

The Board had targeted to achieve and had achieved at least 9.09% (1) of female Directors of the Company, and considers that the above current gender diversity is satisfactory.

The Company will continue to work to enhance gender diversity of the Board. The Board will use its best endeavors to appoint female Directors to the Board and the Nomination Committee will use its best endeavors to identify and recommend suitable female candidates to the Board for its consideration of appointment of Directors. The Company will also continue to ensure that there is gender diversity when recruiting staff from mid to senior level, such that it will have a pipeline of female management and potential successors to our Board in due time to ensure gender diversity of the Board. The Group will continue to emphasise training of female talents and provide long-term development opportunities for the female staff.

Corporate Governance Report

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, as contained in the terms of reference of the Nomination Committee, 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 nomination process of appointment of new Director set out in the Director Nomination Policy is as follows:

(i) the human resources department and the Nomination Committee shall actively communicate with the relevant departments of the Company to assess the Company's demand for new Directors and senior management, and produce materials in writing;

(ii) the Nomination Committee may extensively seek for candidates for Directors and senior management within the Company, its holding (shareholding) enterprises as well as the job market;

(iii) the Nomination Committee shall collect and learn the information of the occupation, education background, job title, detailed working experience and all the part-time jobs of the initially proposed candidates, and produce materials in writing;

(iv) to seek for the nominee's written consent to the nomination, otherwise, he/she shall not be considered as a candidate for Directors and senior management;

(v) to convene Nomination Committee meetings to review the qualifications of the initially proposed candidates according to the job requirements of Directors and senior management;

(vi) to submit proposals and the relevant materials to the Board in respect of candidates of Directors and senior management within a reasonable period of time prior to the election of new Directors and senior management; and

(vii) to carry out other follow-up work according to the decision and feedback of the Board.

The Nomination Committee and shall submit its decisions, recommendations and/or proposals to the Board for consideration and decision. Among which, the nomination of Director candidates must be submitted to the general meeting of shareholders for review and approval after being reviewed by the Board and before implementation.

The criteria for assessing the suitability and the potential contribution to the Board of a proposed candidate as set out in the Board Diversity Policy, including but not limited to the following, are gender, age, cultural and educational background, industry experience, technical capabilities, professional qualifications and skills, knowledge and length of service.

During the period from the Listing Date to December 31, 2022, there was no change in the composition of the Board.

Corporate Governance Report

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

Corporate Governance Functions

The Board, together with the Audit Committee, is responsible for performing the functions set out in code provision A.2.1 of the Corporate Governance Code.

In March 2023, both the Board and the Audit Committee have reviewed the Company's policies and practices on corporate governance, the training and continuous professional development of the Directors and senior management, the Company's policies and practices in compliance with legal and regulatory requirements, compliance with the Company's own code of conduct, and the Company's compliance with the Corporate Governance Code and disclosure in this Corporate Governance Report.

SUPERVISORY COMMITTEE

The Supervisory Committee is a supervisory body of the Company which is responsible for the supervision of the Board and its members and senior management so as to prevent them from the misuse of authority and infringement upon lawful rights of the Shareholders, the Company and the Company's employees. The number of members and the composition of the Supervisory Committee are in line with the provisions and requirements of the laws, regulations and the Articles. The Supervisory Committee is comprised of three Supervisors, of whom one was an employee representative democratically elected by the employees of the Company.

The biographical information of the Supervisors is set out in the section headed "Directors, Supervisors and Senior Management" on pages 29 to 38 of this annual report. The report of the Supervisory Committee for the Reporting Period is set out in the section headed "Report of the Supervisory Committee" on page 58 of this annual report.

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

The Audit Committee and Compliance and Risk Control Committee assist the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems, as well as resolving material internal control defects on an on-going basis.

The Company has developed and adopted various risk management procedures and guidelines, and the Company's Legal Compliance Department works with relevant departments to clearly define the objectives, responsibilities and authority of each division/department and position.

Corporate Governance Report

The Company's risk management and internal control systems have been developed with the following principles, features and processes:

(i) Coverage principle: The Company embeds compliance requirements in all areas and sections of operation and management, running through the entire process of decision making, implementation and supervision, and implements them on all departments and all employees to achieve multi-party linkage and up-and-down coherence;

(ii) Clear authority and responsibility principle: The Company has clearly defined the responsibilities of the business and functional department, compliance management department and supervisory department, strictly implemented employee compliance responsibilities, and pursued responsibilities for non-compliance;

(iii) Pragmatic and efficient principle: The Company has established a compliance management system that is in line with the reality of the enterprise, highlighted the management of key areas, key links and important personnel, and fully utilized information technology to practically improve management efficiency.

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

The Legal Compliance Department conducts regular compliance assessments on the Company's employees and business partners, and will take corresponding measures against employees or business partners who do not meet the Company's compliance requirements. For the handling of daily compliance incidents, we will uphold the principle of proactive investigation and open supervision, and the Legal Compliance Department will set up a uniform compliance and risk control reporting mailbox of the Company to open the reporting channels for all employees on an equal basis.

The management, in coordination with all divisions/departments, assessed the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress, and reported to the Audit Committee, the Compliance and Risk Control Committee and the Board on all findings and the effectiveness of the systems.

The person in charge of each division/department or wholly-owned subsidiary of the Company may report compliance or risk situations encountered in the course of operation, and the Legal Compliance Department will review and issue a written opinion and submit a formal proposal to the Compliance and Risk Control Committee. The Compliance and Risk Control Committee will review the report provided by the Legal Compliance Department and submit the relevant written resolutions to the Board for discussion.

The management has confirmed to the Board, the Audit Committee and Compliance and Risk Control Committee on the effectiveness of the risk management and internal control systems for the Reporting Period.

The internal audit department is responsible for providing the internal audit function and performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The internal audit department examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations for improvement to the Audit Committee and Compliance and Risk Control Committee.

Corporate Governance Report

The Board, as supported by the Audit Committee and Compliance and Risk Control Committee as well as the management report and the internal audit findings, conducted review of the risk management and internal control systems, including the financial, operational and compliance controls, during the Reporting Period, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

Whistleblowing Policy

The Company has in place the Whistleblowing Policy for employees of the Company and those who deal with the Company to raise concerns through a dedicated channel with the Legal Compliance Department and the Compliance and Risk Control Committee about possible improprieties in any matters related to the Company.

Anti-Corruption Policy

The Company has also in place the Anti-Corruption Policy to safeguard against corruption and bribery within the Company. The Company has an internal reporting channel that is open and available for employees of the Company to report any suspected corruption and bribery. Employees may also report anonymously or by name in accordance with the procedures set forth in the Anti-Corruption Policy.

Disclosure of Inside Information Policy

The Company attaches great importance to the management of information disclosure, and has developed its disclosure policy which provides a general guide to the Company's Directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. During the Reporting Period, the Company made true, accurate, complete and timely disclosure of relevant information in accordance with the relevant regulations of the CSRC, the Stock Exchange and other regulatory authorities, effectively implementing the relevant information disclosure policy.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements with the support of the accounting and finance team.

The Directors have prepared the financial statements in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board. Appropriate accounting policies have also been used and applied consistently except the adoption of revised standards, amendments to standards and interpretation.

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 financial statements of the Company are prepared on a going concern basis, the Directors are of the view that they give a true and fair view of the financial position, performance and cash flow of the Group for the year ended December 31, 2022, and the other financial information and report therein complies with relevant legal requirements.

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

Corporate Governance Report

AUDITORS' REMUNERATION

The remuneration paid and payable to the external auditors of the Company in respect of audit services and non-audit services during the Reporting Period is set out below:

Service Category	Fees Paid/Payable (RMB'000)
Audit Services	3,000
Non-audit Services	0
Total	**3,000**

JOINT COMPANY SECRETARIES

The Company has appointed Ms. Ling LIU, a full-time employee of the Company, and Ms. LAM Wing Chi, a senior manager of corporate services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services, as the Company's joint company secretaries.

All Directors have access to the advice and services of the joint company secretaries on corporate governance and board practices and matters. Ms. Liu, who is also the secretary to the Board, has been designated as the primary contact person at the Company which would work and communicate with Ms. Lam on the Company's corporate governance and secretarial and administrative matters.

During the Reporting Period, Ms. Liu and Ms. Lam have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

Convening an Extraordinary General Meeting

Pursuant to the Article 68 of the Articles, Shareholder(s) individually or collectively holding 10% or more of the shares of the Company shall have the right to request the Board to convene an extraordinary general meeting. Such request shall be made to the Board in writing and the request to add resolutions to the meeting agenda shall also be made. The Board shall give a written response as to whether or not it agrees to convene such an extraordinary general meeting within ten days upon receipt of the request.

If the Board agrees to convene the extraordinary general meeting, a notice of such meeting shall be issued within 5 days after resolution of the Board is passed. Any change made to the original request in the notice shall be approved by the relevant shareholders.

If the Board does not agree to convene the extraordinary general meeting, or fails to make a response within 10 days upon receipt of the request, the Shareholder(s) individually or collectively holding 10% or more of the shares of the Company shall have the right to propose to the Supervisory Committee to convene the extraordinary general meeting. Such request shall be made to the Supervisory Committee in writing.

Corporate Governance Report

If the Supervisory Committee agrees to convene the extraordinary general meeting, a notice of such meeting shall be issued within 5 days upon receipt of the request. Any change made to the original proposal in the notice shall be approved by the relevant Shareholders.

If the Supervisory Committee fails to issue a notice of the Shareholders' general meeting within a specified period, it shall be deemed that the Supervisory Committee shall not convene and preside over the Shareholders' general meeting, the Shareholder(s) individually or collectively holding 10% or more of the shares of the Company for more than 90 consecutive days may convene and preside over the meeting by himself/herself/themselves.

Putting Forward Proposals at General Meetings

Pursuant to the Article 73 of the Articles, the Shareholder(s) individually or jointly holding more than 3% of the Company's shares may make provisional proposals in writing to the convener of a Shareholders' general meeting ten days prior to the meeting. The convener shall issue a supplementary notice of the Shareholders' general meeting and announce the contents of such provisional proposals within two days after receipt thereof.

Putting Forward Enquiries to the Board

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

Contact Details

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

Address:	Unit 2505-2507, Tower A 25/F, Gemdale Plaza, 91 Jianguo Road, Chaoyang District, Beijing, the PRC (For the attention of the Board of Directors/Company Secretary)
Phone:	(86) 010 8595 0689
Fax:	(86) 010 8595 0063-825
Email:	aim.securities@aimbio.com

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

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 endeavors to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

Corporate Governance Report

To safeguard Shareholder interests and rights, separate resolution should be proposed for each substantially issue at general meetings, including the election of 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.

Shareholders Communication Policy

The Company has in place a Shareholders Communication Policy. The policy aims at promoting effective communication with Shareholders and other stakeholders, encouraging Shareholders to engage actively with the Company and enabling Shareholders to exercise their rights as Shareholders effectively.

As the Company was listed on the Stock Exchange on October 6, 2022, the Board conducted the annual review on the implementation and effectiveness of the Shareholders Communication Policy in March 2023.

The Company has established a number of channels for maintaining an on-going dialogue with its Shareholders as follows:

(a) Corporate Communication

"Corporate Communication" as defined under the Listing Rules refers to any document issued or to be issued by the Company for the information or action of holders of any of its securities, including but not limited to the following documents of the Company: (a) the Directors' report, annual accounts together with a copy of the auditor's report and, where applicable, its summary financial report; (b) the interim report and, where applicable, its summary interim report; (c) a notice of meeting; (d) a listing document; (e) a circular; and (f) a proxy form. The Corporate Communication of the Company will be published on the Stock Exchange's website (www.hkex.com.hk) in a timely manner as required by the Listing Rules. Corporate Communication will be provided to Shareholders and non-registered holders of the Company's securities in both English and Chinese versions or where permitted, in a single language, in a timely manner as required by the Listing Rules. Shareholders and non-registered holders of the Company's securities shall have the right to choose the language (either English or Chinese) or means of receipt of the Corporate Communication (in printed form or through electronic means).

(b) Announcements and Other Documents pursuant to the Listing Rules

The Company shall publish announcements (on inside information, corporate actions and transactions etc.) and other documents (e.g. the Articles) on the Stock Exchange's website in a timely manner in accordance with the Listing Rules.

(c) Corporate Website

Any information or documents of the Company posted on the Stock Exchange's website will also be published on the Company's website (www.aimbio.com). Other corporate information about the Company's corporate governance will also be available on the Company's website.

Corporate Governance Report

(d) Shareholders' Meetings

The annual general meeting and other general meetings of the Company are primary forum for communication between the Company and its Shareholders. The Company shall provide Shareholders with relevant information on the resolutions(s) proposed at a general meeting in a timely manner in accordance with the Listing Rules. The information provided shall be reasonably necessary to enable Shareholders to make an informed decision on the proposed resolution(s). Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at the meetings for and on their behalf if they are unable to attend the meetings. Where appropriate or required, the Chairman of the Board and other Board members, the chairmen and deputy chairman of board committees or their delegates, and the external auditors should attend general meetings of the Company to answer Shareholders' questions (if any). The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent Shareholders' approval.

During the Reporting Period, the Company has held an annual general meeting and two extraordinary general meetings. The attendance record of each Director at the general meetings of the Company is set out in the table below:

Name of Director	Attendance/ Number of Annual General Meeting	Attendance/ Number of Extraordinary General Meeting
Executive Directors		
Mr. Yan ZHOU	1/1	2/2
Mr. Wen GUAN	1/1	2/2
Mr. Shaojun JIA	1/1	2/2
Non-Executive Directors		
Mr. Jie ZHOU	1/1	2/2
Mr. Xin ZHOU	1/1	2/2
Mr. Jichen ZHAO	1/1	2/2
Ms. Aijun WANG	1/1	2/2
Independent Non-Executive Directors		
Professor Ker Wei PEI	1/1	2/2
Mr. Xiaoguang GUO	1/1	2/2
Mr. Hui OUYANG	1/1	2/2
Ms. Jie WEN	1/1	2/2

Corporate Governance Report

(e) Shareholders' Enquiries

Enquiries about Shareholdings

Shareholders should direct their enquiries about their shareholdings to the Company's H Share registrar, Tricor Investor Services Limited, via its online holding enquiry service at www.tricoris.com, or send email to is-enquiries@hk.tricorglobal.com or call its hotline at (852) 2980 1333, or go in person to its public counter at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

Enquiries about Corporate Governance or Other Matters to be put to the Board and the Company

The Company will not normally deal with verbal or anonymous enquiries. Shareholders may send any enquiries to the Board by email: aim.securities@aimbio.com or by post to Unit 2505-2507, Tower A 25/F, Gemdale Plaza, 91 Jianguo Road, Chaoyang District, Beijing, the PRC, or by calling the Company at (86) 010 8595 0689.

Amendments to Constitutional Documents

During the period from the Listing Date to December 31, 2022, the Company has not made any changes to the Articles. An up-to-date version of the Articles is also available on the Company's website and the Stock Exchange's website.

Dividend Policy

The Company has adopted a Dividend Policy on payment of dividends. Depending on the financial conditions of the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend declared for a financial year will be subject to the Shareholders' approval.

Environmental, Social and Governance Report

1 OVERVIEW OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE

1.1 ESG Report

1.1.1 Corporate profile

AIM Vaccine Co., Ltd. and its subsidiaries (hereinafter referred to as the Group) is a large privately-owned vaccine group with a full industry chain in the PRC, covering the full industry value chain from research and development to manufacturing and to commercialization. Through one decade of organic growth and external resource integration, the Group has developed an all-inclusive and progressive business model and corporate culture, through which it has been able to continuously expand and optimize its existing business and has become a major player in the Chinese vaccine industry.

1.1.2 Report preparation standards

This report is prepared 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, the key performance indicators in this report have been prepared with reference to the relevant calculation standards and methods provided therein, and the content of this report has been defined and disclosed based on the principles of materiality, quantitative, balance and consistency, and have avoided choices, omissions or presentation format that may influence the reader's decision or judgment.

1.1.3 Reporting scope

The ESG report covers the Company, its subsidiaries (including Rong'an Bio, AIM Honesty, AIM Kanghuai and AIM Weixin) and research institutes (AIM Explorer, Liverna and AIM Jianchi), and the report scope is consistent with the annual report. The time range covered by this report is January 1, 2022 to December 31, 2022.

Environmental, Social and Governance Report

1.1.4 Statement of the Board of Directors

The Group's corporate vision is "to become a global leader in the vaccine industry". With the mission of "developing and manufacturing top quality vaccines to safeguard the health of the world", the Group strictly controls the quality of vaccines, covering the full value chain, empowered by a full spectrum of proven human vaccine platform technologies, and strives to access the best industry resources and innovative technologies to accelerate product development and commercialization.

The Board of Directors of the Group seeks to incorporate the philosophy of sustainable development into its daily operations, so that the overall strategic direction of the Group is aligned with the sustainable development goals, and the performance of the Group in ESG aspects can be continuously improved.

As a public company listed in 2022, the Group understands the importance of ESG in pursuing sustainable corporate development and managing the different risks and opportunities associated with the environment and society. The Group has developed an ESG strategy and policy and established an ESG governance structure centered on the Board of Directors. Under the leadership of the Board of Directors, the Group has formulated the emission reduction target of the Group and the Energy Conservation Regulation《節能條例》, which were fully implemented across the Group. The Board of Directors of the Group regularly monitor the development of the Group's ESG, including monitoring the implementation of the Energy Conservation Regulation《節能條例》and whether pollution discharge has met emission reduction target, and continue to optimize the Group's strategy to coordinate the Group's business development with the environmental and social impact of its operations.

The Group regards its employees as valuable resources, and strives to provide them with a fair, transparent, healthy and diverse working environment, pays attention to the career development of employees, conducts employee training on a regular basis, and seeks the common growth of employees and the Group.

In the future, the Group will further upgrade the Group's strategy and operations in conjunction with the ESG concepts to fulfill its commitment to the society and environment.

1.2 Materiality and Stakeholders

1.2.1 Stakeholders engagement

The Group believes that maintaining communication with stakeholders is an important part of the Group's sustainable development. The Group's stakeholders include shareholders and investors, employees, government and regulatory authorities, suppliers and partners, customers, communities and the public, as well as experts and scholars. The Group actively communicates with stakeholders through various channels to keep abreast of their views and expectations on the Group's sustainable development performance, and then adjusts the Group's management measures accordingly to address key issues.

Environmental, Social and Governance Report

Stakeholders	Views and expectations	Communication methods
Shareholders and investors	ESG governance Risk management Corporate operation and development	Shareholders' meetings Public information disclosure Road shows
Employees	Talent training and development Employee welfare and rights Occupational health and safety Diversity and equality	System release Management meeting Internal online communication platform Staff training Staff activity management committee
Government and regulatory authorities	Product quality and safety Emissions management Technology and innovation	Institutional investigation Policy implementation Public information disclosure Correspondence
Suppliers and partners	Compliance management Supply chain management Industry development and win-win	Exchanges and mutual visits Industry forum
Customers	Product quality and safety Product advantages and promotional education Knowledge popularization	Customer research Themed seminars Customer visits
Communities and the public	Community and public welfare Environmental protection	Volunteer service Community activities Exchange interviews
Experts and scholars	Industry development Technology innovation	Forum activities Training exchange

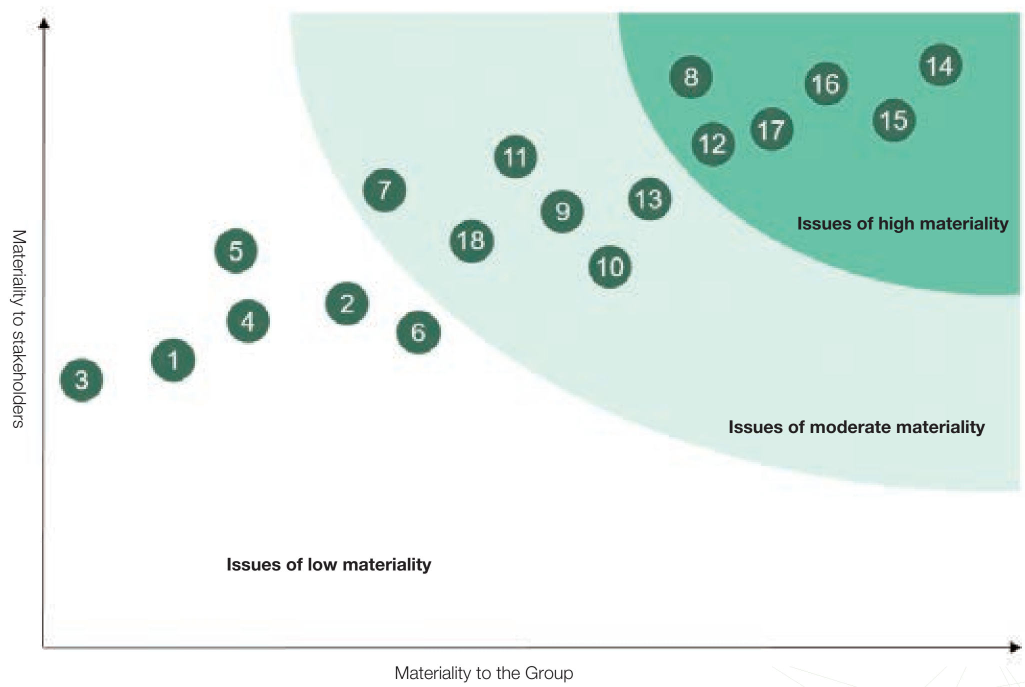
Environmental, Social and Governance Report

1.2.2 Materiality assessment

According to the environmental and social aspects listed in the "Environmental, Social and Governance Reporting Guide", in terms of the information collected from stakeholders and the assessment of business importance, the Group established the following materiality matrix to demonstrate the range of high importance to stakeholders and the Group.

Related Issues

1) Ecological Environment Protection
2) Resource Utilization
3) Mitigation of Climate Change
4) Energy Consumption
5) Water Consumption
6) Greenhouse Gases Emissions
7) Environmental Risk Management
8) Employee Benefits and Rights
9) Employment and Remuneration Policy
10) Employee Development and Training
11) Employee Health and Safety
12) Prevention of Child Labor and Forced Labor
13) Supplier Management
14) Product Quality and Customer Satisfaction
15) Intellectual Property Management
16) Protection of Customer Privacy
17) Anti-Corruption and Anti-Money Laundering
18) Community Investment



Environmental, Social and Governance Report

2 ANALYSIS OF CORPORATE ENVIRONMENTAL PERFORMANCE

2.1 Analysis of Corporate Emissions

The Group strictly complies with the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》), Water Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國水污染防治法》), Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》), Law of the People's Republic of China on Prevention and Control of Pollution From Environmental Noise (《中華人民共和國環境噪聲污染防治法》), Integrated Emission Standard of Air Pollutants (《大氣污染物綜合排放標準》) and other protection related laws, regulations and standards. The Group adheres to the principle of green production, has formulated energy conservation and environmental protection policies for the production process, and is committed to optimizing production by eliminating equipment with low production capacity and adopting energy-efficient devices. The relevant formulas and emission factors in the analysis of corporate environmental performance in this report refer to the "Reporting Guidance on Environmental KPIs" of the Stock Exchange and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

2.1.1 Related indicator analysis of corporate emissions

Total exhaust gas emissions and intensity of the corporate

The exhaust gas generated by the Group's business due to fossil fuel combustion mainly includes nitrogen oxides (NOx), sulfur oxides (SOx) and suspended particulate matter (PM). The Group emitted a total of approximately 1,166.5 kg of exhaust gas, with an emission intensity of approximately 92.3 kg/RMB100 million of revenue in 2022.

The following table shows the Group's emissions and intensity by type of exhaust gas in 2022:

Type of Exhaust Gas	Emissions (kilogram)	Emission Intensity (kg/RMB100 million of revenue)
Nitrogen oxides (NOx)	1,082.6	85.6
Sulfur oxides (SOx)	1.9	0.2
Suspended particulate matter (PM)	82.0	6.5
Total	**1,166.5**	**92.3**

Note: Exhaust gas emissions mainly include the exhaust gas generated by the Group's gas combustion and self-owned vehicles.

Environmental, Social and Governance Report

Total greenhouse gas emissions and intensity of the corporate

The Group's business results in direct and indirect emissions of greenhouse gases due to fossil fuel consumption and the use of electricity and other resources. In 2022, the Group's total greenhouse gas emissions were approximately 53,586.0 tons of carbon dioxide equivalent, with an emission intensity of approximately 4,239.0 tons of carbon dioxide equivalent/RMB100 million of revenue.

The following table shows the Group's emissions by greenhouse gas type and source in 2022:

Direct greenhouse gas emissions

Type of greenhouse gas	Emissions (tons of carbon dioxide equivalent)	Emission Intensity (tons of carbon dioxide equivalent/ RMB100 million of revenue)
Carbon dioxide (CO_2)	128.88	10.20
Methane (CH_4)	0.31	0.02
Nitrous oxide (N_2O)	19.63	1.55
Total	**148.82**	**11.77**

Indirect greenhouse gas emissions

Indirect emissions sources	Emissions (tons of carbon dioxide equivalent)	Emission Intensity (tons of carbon dioxide equivalent/ RMB100 million of revenue)
Use of electricity resource	52,856.4	4,181.3
Use of natural gas	580.8	45.9
Total	**53,437.2**	**4,227.2**

Environmental, Social and Governance Report

Total discharge volume and intensity of wastewater and solid waste of the Group

The Group attaches great importance to the management and control of waste discharge, and strictly standardizes the emission management of waste gas, wastewater and solid waste during production, research and development and daily operation. The Group advocates energy conservation and waste reduction, and all wastes discharged are properly disposed of in accordance with relevant national environmental protection policies and regulations. The wastes discharged by the Group in 2022 mainly include 34 used dry batteries, 138.2 tons of other hazardous waste, 310,000 sheets of office paper, 9.8 tons of packaging materials in the logistics process and 148,557.3 tons of other non-hazardous waste.

The discharge volume and intensity of the Group's wastes by type in 2022 are shown in the table below:

Type of waste	Unit	Discharge volume
Hazardous waste		
Used dry battery	Unit	34
Other hazardous waste (including laboratory animal carcasses, sub-standard vaccines, waste organic solution, etc.)	Ton	138.2
Non-hazardous waste		
Office paper	0'000 sheets	31.0
Packaging materials in logistics process (including glass, cardboard box, plastic)	Ton	9.8
Other non-hazardous waste (mainly wastewater)	Ton	148,557.3

Type of waste	Unit	Discharge Intensity
Hazardous waste		
Used dry battery	Unit/RMB100 million of revenue	2.7
Other hazardous waste (including laboratory animal carcasses, sub-standard vaccines, waste organic solution, etc.)	Ton/RMB100 million of revenue	10.9
Non-hazardous waste		
Office paper	0'000 sheets/ RMB100 million of revenue	2.5
Packaging materials in logistics process (including glass, cardboard box and plastic)	Ton/RMB100 million of revenue	0.8
Other non-hazardous waste (mainly wastewater)	Ton/RMB100 million of revenue	11,752.0

Environmental, Social and Governance Report

2.1.2 Measures and targets for emission reduction and waste reduction implemented by the corporate

Exhaust emission reduction targets and corresponding measures set by the corporate

The Group strictly abides by the major national laws and regulations on pollutant discharge, including Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), Integrated Emission Standard of Air Pollutants (《大氣污染物綜合排放標準》), etc. Meanwhile, the Group formulates Energy Conservation Regulation (《節能條例》) and sets the emission reduction target, ensuring that the gas to be emitted outdoors during the production, research and development is clean through a sound emission reduction management system, which includes canteen flue gas purification device, fermenter exhaust gas filtration device, biological safety cabinet exhaust gas filtration device, etc.

The Group will continue to focus on energy conservation and emission reduction, continuously improve the energy use efficiency of the Group's equipment, and further reduce the Group's overall exhaust emissions by improving corresponding measures, so as to minimize the possible impact of the Group's production and operation on the environment. The corporate's greenhouse gas emissions are expected to decrease by 10% by 2023 compared with 2022 by virtue of a series of exhaust gas emission reduction measures.

Methods of handling waste, waste reduction goals and measures of the corporate

The Group strictly abides by the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》) and other laws and regulations relating to pollutant discharge management, and has formulated relevant policies for waste disposal within the Group, including the Solid Waste and Hazardous Waste Management System (《固體廢物及危險廢物管理制度》), the Hazardous Waste Pollution Prevention and Control Responsibility System (《危險廢物污染防治責任制度》) and the Emergency Response Plan for Hazardous Waste Accidents (《危險廢物意外事故應急預案》), which set out the types of waste to be managed and the management process in detail. The measures adopted by the Group to dispose of waste include (but not limited to): strict use of the solid waste supervision information system for one-to-one record of waste online and offline; collection and treatment of all sewage through the sewage treatment system, and discharge after reaching standard, while conducting 24-hour online monitoring for sewage data and uploading it to the website platform of the Ecology and Environment Bureau; signing disposal contracts with hazardous waste disposal companies with appropriate qualifications, and central treatment of hazardous waste produced by disposal companies with an annual treatment rate of 100%.

Environmental, Social and Governance Report

2.2 Analysis of Corporate Resource Use

2.2.1 Corporate's main energy consumption structure

The Group advocates the conservation of resources and energy, reduces the consumption of energy and raw materials, and strengthens energy management, thereby reducing energy consumption and raw material consumption, and maximizing the recycling of energy and resources in the production process. The Group consumed a total of approximately 54,000 liters of gasoline, approximately 65,693,000 kWh of electricity, and approximately 793,000 cubic meters of water resources in 2022.

Our Group's various types of energy consumption in 2022 are shown in the table below:

Energy Type	Unit	Consumption Volume
Gasoline	0'000 liters	5.4
Electricity energy	0'000 kWh	6,569.3
Water	0'000 cubic meters	79.3

Our Group's various types of energy consumption intensity in 2022 are shown in the table below:

Energy Type	Unit	Consumption Intensity
Gasoline	0'000 liters/ RMB100 million of revenue	0.4
Electricity energy	0'000 kWh/ RMB100 million of revenue	519.7
Water	0'000 cubic meters/ RMB100 million of revenue	6.3

Environmental, Social and Governance Report

All packaging materials of the Group's finished products by type of product packaging materials in 2022 are shown in the table below:

Product Packaging Material	Unit	Consumption Volume
Plastic	Ton	66.6
Paper	Ton	109.5
Metal	Ton	0.2
Others (including glass, etc.)	Ton	50.8

2.2.2 Energy efficiency goals and measures formulated by the corporate

The Group controls energy use and enhances efficiency in the use of resources through daily management within the Group. The Group strictly complies with the relevant national and local laws and regulations, including but not limited to the Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》), and is constantly exploring opportunities to optimize management methods and improve energy efficiency. The Group implements a paperless office through the adoption of online meeting system and production quality information system, and requires all departments to centralize the use of printers to reduce paper consumption. When purchasing equipment, the Group shall take energy consumption into account and energy-saving equipment will be the first choice where demand is met. The Group organizes a "comprehensive self-inspection campaign on energy-saving, consumption reduction and cost cutting" and forms energy-saving reports. The Group will continue to make efforts to improve the efficiency of energy use, adhere to the principle of green development, and continuously optimize the use of resources to reduce waste of resources. Electricity consumption by the corporate is expected to decrease by 5% by 2023 compared with 2022.

2.2.3 The corporate's methods to obtain the applicable water sources and goals and measures to improve water efficiency

The Group regards water conservation as an environmental obligation that the Group needs to perform in the course of its business development. The Group has no issue in sourcing water that is fit for purpose in its operations. The Group has formulated measures to improve water efficiency, including regulating the amount of water used for production through operating procedures to avoid waste; stipulating the duration of baths and requiring the valve to be turned off before leaving; recycling the discharged water produced from the water production process and using it for the Group's bathing water and irrigation; and installing measuring instruments in the workshop so that running, bubbling, dripping and leaking can be detected in time to avoid waste. In addition, the Group continues to improve water-saving technology. For example, through long-term research, AIM Weixin has significantly reduced the water usage by adjusting the water supply valve of the cooling water tower. Water consumption by the corporate is expected to decrease by 5% by 2023 compared with 2022.

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2.3 Analysis of Corporate Environment and Natural Resources

2.3.1 Analysis of the significant impact of corporate business activities on the environment and natural resources and related measures

The Group will generate certain amounts of exhaust gas, waste water, solid waste and noise during its operation. As a public company responsible to society, the Group understands that environmental protection is an indispensable social responsibility in corporate development, and continuously roots environmental protection awareness in all levels of the Group through various policies, measures and actions. The Board of Directors of the Group is responsible for supervising the formulation of ESG strategies and policies, and the administrative department is responsible for the daily work of climate change management to conduct business operations in strict accordance with relevant national environmental protection policies and emission requirements.

To reduce the impacts of the enterprise's business activities on the environment and natural resources, the Group actively promotes a green and paperless office and preferably prints double-sided and in black and white when printing is necessary, so as to reduce paper consumption; reduces the frequencies of operating heating devices and air-conditioners and requests for temperatures that are too high or too low; turns off and inspects all electrical equipment when getting off work; saves energy and reduces emissions, etc.

2.4 Analysis of Corporate Response to Climate Change

2.4.1 Significant climate-related issues or policies affecting the Group, and responsive actions to be taken

For the Group, extreme weather, including snowstorms, typhoons and rainstorms and the chain reactions such as power failures and fires resulting from the weather, may affect the normal operations of the Group. The Group has established emergency plans including fire evacuation plan. At the same time, during the operation of the Group, it continuously and actively identifies the risks that climate change may bring to the Group's operations, enhances the repair and maintenance of operational equipment and improves the contingency measures in response to significant climate-related issues. As for policies, the State Council issued the Comprehensive Work Plan for Energy Conservation and Emission Reduction for the "14th Five-Year Plan" Period, which mentioned the goal that the water consumption of industrial enterprises above a designated size per RMB10,000 of industrial added value shall decrease by 16% by 2025. This goal might enable the Group to increase substantial invested costs for equipment to reduce water consumption. In response to this environmental protection policy, the Group will take the measure of timely replacement of double pass reverse osmosis membranes and increasing the production of purified water to reduce emissions.

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3 CORPORATE SOCIAL RESPONSIBILITY ANALYSIS

3.1 Analysis of the Current Situation of Corporate Employment

3.1.1 Employment principles

The Group believes that excellent talents are an important cornerstone for the sustainable development of the enterprise, and regards each employee's knowledge and experience as the most valuable resources of the enterprise. The Group strictly complies with the Labor Law of the PRC (《中華人民共和國勞動法》), the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), the Labor Protection Regulations for Female Employees (《女職工勞動保護規定》) and other laws and regulations, and has formulated the Employee Handbook of AIM Vaccine to strengthen the interpretation and protection of employees' rights and interests. The Group applies the philosophy of equality, openness and inclusiveness to each step of corporate employment from beginning to end, opposes any form of employee discrimination, and is committed to creating a good working environment and quality personal development platform for employees. The Group respects the rights that employees are entitled to, including their working hours, leave, promotion, benefits, training, etc. At the same time, the Group has established an effective communication mechanism for employees, and pays attention to their feedback and demands on the existing system, so as to constantly optimize the Group's employment management system and realize the common development of employees and the Group.

3.1.2 Equal opportunity, diversity and anti-discrimination

The Group strictly complies with relevant laws and regulations to ensure equal employment opportunities for employees. In the recruitment process, the Group always maintains open and transparent employment conditions and job qualifications, and strictly eliminates any form of discrimination based on gender, age, race, ethnicity, religious belief, etc. The Group sets fair performance appraisal standards and transparent promotion channels for employees, striving to provide equal career development opportunities for all employees. The Group also attaches great importance to diversity and maintains a balanced ratio of male and female employees. Meanwhile, the Group set up humanized corporate welfare and created an inclusive corporate culture, striving to meet the diversified demands of employees.

3.1.3 Recruitment and dismissal

The Group strictly complies with the laws and regulations on recruitment and dismissal, and has made a detailed explanation of matters relating to recruitment and dismissal within the Group in the Employee Handbook, including the registration procedures, probation and regularization of employees, social security provident fund management and resignation procedures, in order to strengthen the standardized management of the recruitment and dismissal process. Prior to formal employment, the Group conducts adequate background check on the documents provided by employees to ensure the legitimacy of employment. The Group has also made a detailed explanation of the procedures to be followed when an employee resigns and the circumstances under which the Group has the right to terminate the employment contract to ensure fairness and transparency in the dismissal process and to inform employees of their specific rights and interests under the Group's regulations.

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3.1.4 Performance management

To support employees' personal career development and establish a transparent and fair performance evaluation system, the Group has formulated the process of performance management system in the Employee Handbook. The process of system includes performance planning and goal setting, mid-year review, year-end performance review and evaluation, as well as continuous feedback and training, etc., which provides clear and specific implementation plans for employees' personal development planning within the Group. Meanwhile, the performance management system provides employees with opportunities to evaluate themselves, communicate with superiors, and jointly set mutually acceptable performance goals, ensuring that the enterprise pays full attention to employees' demands on personal growth while focusing on its own development.

3.1.5 Employee promotion

The Group has established a comprehensive promotion process to encourage employees to realize their self-value, providing them with personal career development opportunities whenever possible. The Group's promotion process is initiated in the fourth quarter of each year, and the manager whose direct subordinates apply for promotion submits the promotion application to the Group's Human Resources Department based on the employee's annual appraisal results and job promotion opportunities. The Group's department head, the Human Resources Center and the executive director are responsible for the comprehensive assessments and reviews of applicants and provide capable employees with internal promotion opportunities in our Company in a timely manner. The Group is committed to offering a smooth career development path for the talents of the Group through a reasonable promotion mechanism, and helps employees achieve personal growth to the largest extent.

3.1.6 Working hours and leaves

In order to protect employees' rights to rest and take vacations, the Group has given detailed explanations and regulations on working hours, rest and leaves in the employment contract and Employee Handbook. The Group has provided employees with a flexible working system to help them balance work and family arrangements, and developed the Flexible Working Regulations to explain the specific rights and benefits, which employees can enjoy under this system. Meanwhile, the Group has set up corporate holidays such as paid annual leave, fully paid sick leave, and long-term sick leave while ensuring that each employee enjoys statutory holidays, so as to further enhance the humanity of the Group's office model.

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3.1.7 Salary and welfare

In order to reward employees and teams for their contribution to the Group's development, the Group has provided employees with market-competitive salaries, striving to continuously attract, motivate, develop and retain outstanding talents through reasonable salaries. The Group has developed a performance-oriented Remuneration Management Policy, which specifies the Group's remuneration framework and salary adjustment principles and other important information. Besides, the Group has established a Remuneration Committee to ensure the reasonableness and fairness of employee remuneration settings, committed to keeping employees motivated and improving the Group's performance through a humanized remuneration system.

In compliance with the laws and regulations of the places where social insurance is contributed, the Group has paid housing provident fund and social insurance in a monthly manner for its employees, providing them with due employment protection. Meanwhile, in order to further improve employee satisfaction, the Group has set up a variety of corporate benefits for employees, including communication allowance, housing allowance, overtime pay, performance bonus, health checkup, supplementary medical insurance, birthday blessing money and folklore cash gift, in an effort to create a warm and inclusive corporate culture for the Group's employees.

3.1.8 Awards and honour

With an aim to stimulate employees' motivation and to reward individuals or teams for their contribution to the development of the Group, the Group has set up various forms of awards and honour for employees, including one-off cash, individual and team gatherings, etc. At the same time, "AIM Vaccine Culture Star", " AIM Vaccine President's Award", "Outstanding Project Award", "AIM Knight of Honor" and other awards have been given by the Group to employees at annual parties or other important events to highlight their importance to the Group's development, and to boost employees' sense of achievement and satisfaction.

3.1.9 Employment status

As of December 31, 2022, the total number of the Group's employees in service was 1,576, with 49.3% female employees and a balanced gender ratio. By region, 690 of the Group's employees in service were located in Ningbo, accounting for 43.8% of the total employees in service. By age, employees aged 30 and below, 31-50 and 51 and above accounted for 39.8%, 55.5% and 4.7%, respectively. By educational background structure, 52.1% of the Group's employees have a university degree or above, and the overall education level of the employees is relatively high. By employment category, the Group's full-time employees accounted for 98.1%, while part-time employees and other types of employees accounted for 0.2% and 1.7%, respectively.

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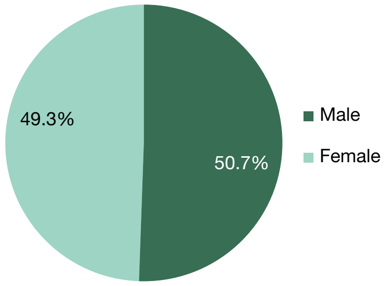
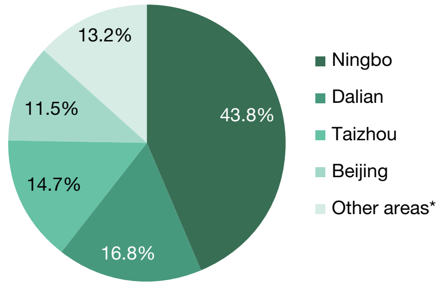
Percentage of the Group's employees in service by each key indicator in 2022

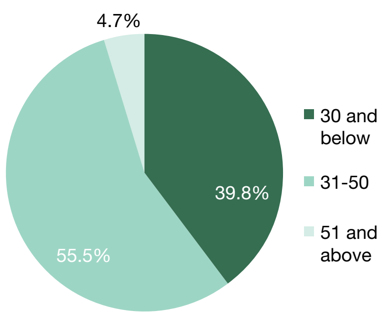


Gender

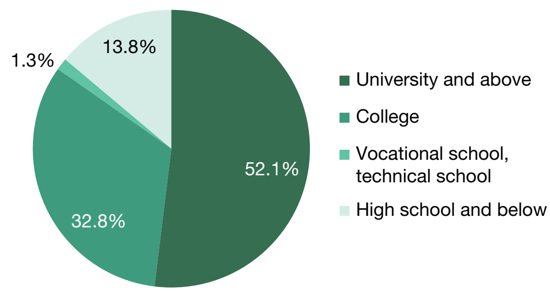


Work Area

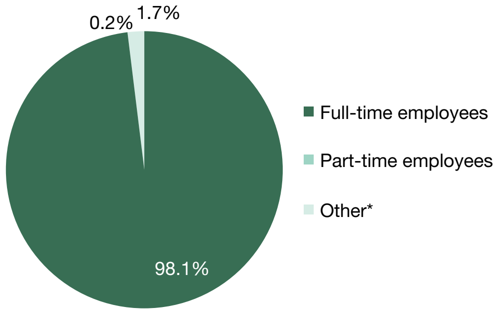
* *Note:* Other areas include Shanghai, Zhuhai and Shenyang



Age



Educational Background



Employment Category

* *Note:* Agents/Contract Personnel/Suppliers/Trainees/Volunteers, etc.

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3.1.10 Employee turnover

As of December 31, 2022, the total number of employees leaving the Group during the Reporting Period was 208, with a total employee turnover rate of 11.7%. Among them, divided by gender, the turnover rate of male employees was 12.9%, and the turnover rate of female employees was 10.4%. Divided by age, the turnover rate of employees aged 30 and below was 14.7%, 9.2% for employees aged 31-50, and 12.8% for employees aged 51 and above. Divided by work area, the employee turnover rate in Beijing, Ningbo, Taizhou, Dalian and other areas was 22.6%, 8.7%, 7.2%, 4.7% and 21.7%, respectively.

Employee turnover of the Group in 2022 is shown in the table below:

Employee turnover rate	**11.7%**
Divided by gender	
Male	12.9%
Female	10.4%
Divided by age	
Aged 30 and below	14.7%
Aged 31-50	9.2%
Aged 51 and above	12.8%
Divided by work area	
Beijing	22.6%
Ningbo	8.7%
Taizhou	7.2%
Dalian	4.7%
Other areas*	21.7%

Note: Other areas include Shanghai, Zhuhai and Shenyang

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3.2 Overview of Employee Health and Safety

The Group has been paying high attention to the safety and health of employees in its business operation and considering it an important responsibility to provide a safe and comfortable working environment for its employees. The Group strictly abides by relevant laws and regulations such as the Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》), the Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases (《中華人民共和國職業病防治法》), and the Fire Control Law of the People's Republic of China (《中華人民共和國消防法》), as well as industry standard requirements, endeavoring to provide employees with a healthy and safe office environment. The Group has established a comprehensive safety management system, including hidden danger investigation, production safety management, fire safety management, education and training, and emergency drills, and designated the EHS Department to manage and monitor the occupational safety and health risks of the Group. In order to enhance employees' safety awareness and avoid occupational injuries, the Group regularly organizes safety training for employees on safe production, common potential safety hazard and safety knowledge, hazardous chemicals leakage emergency drills, hazardous chemical management plan, etc. At the same time, the Group arranges physical examinations for its employees to allow them to know about their health conditions in a timely manner, striving to protect the occupational health and safety of staff. From 2020 to 2022, there were no work-related fatalities in the Group. During the Reporting Period, the total lost working days due to minor work-related injuries of the Group was 149 days. In order to avoid the occurrence of subsequent work-related injuries, the Group has taken such measures as placing warning signs at the work-related injury sites and strengthening publicity and training on work-related injury prevention.

3.2.1 Production safety

The affiliated plants of the Group have set up a production safety committee to supervise and manage the work related to production safety, and regularly detect and optimize the production safety system of the Group's affiliated plants to ensure the effectiveness of the system. To clarify the rules and regulations related to production safety and improve the systematic operation of safety management system, the affiliated plants of the Group have formulated such documents as the Management Procedures for Environmental Safety Accident Emergency Handling (《環境安全事故應急處理管理規程》), the Management Procedures for Potential Safety Hazard Detection and Governance (《安全隱患排查治理管理規程》), the Production Accident Management and Emergency Rescue Plan (《生產事故管理及事故應急救援預案》), the Management Procedures for Safety Production Targets (《安全生產目標管理規程》), and the Equipment and Facilities Safety Management Procedures (《設備設施安全管理規程》) to ensure the control of production safety. At the same time, in order to strengthen the production safety education of employees, the affiliated plants of the Group have established the Production Safety Education Management Procedures (《安全生產教育管理規程》) to elaborate the specific precautions for employees in the production process. The EHS Department of the Group and relevant departments are responsible for ensuring that the new employees fully understand the safety knowledge of the posts and minimize the production safety risks that may be involved in each post. The affiliated plants of the Group conduct a comprehensive inspection of the production environment on a regular basis and issue corresponding analysis reports to fully grasp the information of the production environment, so as to control existing risks and make timely adjustments to the system.

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3.2.2 Fire safety

The Group attaches great importance to the fire safety of the enterprise and strives to protect the safety of employees through practical actions. In order to ensure the fire safety of the enterprise, the Group has set up a complete fire protection system, which is regularly detected and optimized by the relevant departments of the Group to keep the fire escape unblocked and the effective operation of the system, effectively protecting the health and safety of employees. In order to further strengthen the management and control of fire safety, the Group has established the Fire Safety Management Procedures (《消防安全管理規程》), the Fire Prevention Management Procedures of the Company (《公司動火防火管理規程》) and other fire related rules and regulations, and requires its employees to strictly abide by the fire safety guidelines, and be familiar with the fire equipment and escape routes, so as to ensure the fire safety of the Group to the maximum extent. At the same time, the Group organizes fire-related training and drills on a regular basis to enhance the fire safety awareness of employees and enhance their emergency handling skills. In 2022, the Group organized 30 fire safety-related training sessions.

3.3 Overview of Employee Development and Training

The Group attaches great importance to the development and training of its employees and encourages them to fully apply their skills, knowledge and experience to their work to achieve the growth of both the corporate and the individuals. With a view to fully developing internal talents, the Group has formulated a succession plan, in which line managers carry out regular career planning and discussion with their subordinate employees, and communicate with the management of the Group in a timely manner, so as to help employees achieve faster career development while completing a more reasonable allocation of human resources in the Group. At the same time, the Group provides orientation training for employees within six months after they join the Group to help them better understand the Group and play their roles more smoothly. In order to strengthen the management of training and improve the planning, effectiveness and pertinence of training, the Group has formulated the Program of Annual Employee Training Planning (《年度員工培訓規劃計劃》) to further optimize the Group's training system and strengthen the training of internal talents.

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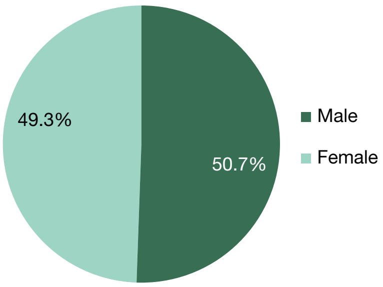
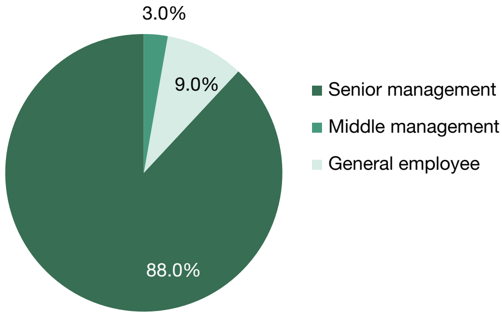
3.3.1 Trained employees

As of December 31, 2022, the total number of trained employees of the Group was 1,576. Divided by gender, female employees accounted for 49.3% of the total trained employees. Divided by position, general employees were the main group receiving training, accounting for 88.0%.

Percentages of trained employees of the Group by major indicators in 2022



Gender



Position

3.3.2 Average training hours for employees

The average training time per employee of the Group in 2022 was 16.3 hours, of which, the average training time per male employee and per female employee was 15.1 and 17.5 hours, respectively. Divided by position, the average training time for senior management, middle management and general employee was 5.9 hours, 25.4 hours and 15.7 hours, respectively.

Average training hours for the employees of the Group in 2022 are shown in the table below:

Average training hours per employee	**Hour**	**16.3**
Divided by gender		
Male	Hour	15.1
Female	Hour	17.5
Divided by position		
Senior management	Hour	5.9
Middle management	Hour	25.4
General employee	Hour	15.7

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3.4 Guidelines and Measures for Preventing Child Labor or Forced Labor

The Group actively protects the basic rights and interests of employees, pursues an equal, inclusive, and non-discriminatory employment policy, resolutely opposes forced labor in whatever form and eliminates the use of child labor in strict compliance with the relevant national legal requirements such as the Law on the Protection of Minors (《未成年人保護法》) and Provisions on the Prohibition of Using Child Labor (《禁止使用童工規定》). In the recruitment process, the Group conducts strict background checks and ensures the legitimacy of employment through procedures such as identity information check and work experience verification. If illegal violations are found, the Group will strictly investigate the specific situation, deal with the violations in a timely and serious manner, and impose corresponding penalties on relevant personnel. In 2022, the Group did not use child labor or forced labor.

3.5 Analysis of the Current Situation of Operation and Management

3.5.1 Supplier overview

The regional distribution of the Group's suppliers in 2022 is shown in the table below:

Total number of suppliers	**644**
Divided by region	
East China	43.0%
South China	25.3%
Northeast China	14.6%
North China	11.5%
Other regions	5.6%

Note: Other regions include West China, Central China, Northwest China, Southwest China, etc.

3.5.2 Procurement management

The Group strictly complies with relevant applicable laws and regulations such as the Bidding and Tendering Law of the People's Republic of China (《中華人民共和國招標投標法》) and has formulated systems such as the Procurement Management Regulations (《採購管理規程》) and Bidding Management Regulations (《招標管理規程》) to enhance the management and control of the Group's procurement process. The Group has established the Bidding and Tendering Management Committee and the Bidding and Central Purchasing Department for the purpose of detailed regulations, execution and management of all aspects of bidding and tendering, ensuring systematic operation of the entire bidding process. The Group's procurement department and other relevant departments are responsible for reviewing and approving the materials proposed to purchase, so as to ensure that the procured materials comply with the Group's system standards. At the same time, all procurement contracts, including information such as confirmation of suppliers and purchase prices, must be approved by the procurement manager, the person in charge of the usage department, the Group's legal department, the person in charge of the Group's risk control, the division manager, the chief financial officer, the general manager and other relevant departments and personnel to ensure the compliance and validity of the procurement. Adhering to the procurement principles of equality, fairness and openness, the Group implements standardized management of suppliers and maintains good business relationships with suppliers.

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3.5.3 Suppliers management

The Group has established a comprehensive supplier management system and implemented standardized management and supervision of all links in the supply chain. The Group has formulated the Supplier Management Regulations 《供應商管理規程》 to systematically control the selection, evaluation, review, approval, assessment and other links of suppliers. According to the source of purchased materials, potential toxicity, pollution risk, levels of clean areas used, degree of impact on product quality and other factors, the Group has classified and managed suppliers, and implemented different screening and auditing procedures to improve the pertinence of supplier management. The quality assurance department of the Group has set up an audit team to assess the quality of material suppliers, and a supplier file and a list of qualified suppliers will be established for reference of other departments after the audit is completed. In order to strengthen effective control over the quality of suppliers, the Group has formulated the Material Supplier Evaluation and Approval Procedures 《物料供應商評估批准規程》 to fully evaluate suppliers' business licenses, business permits, quality standards, material inspection results, after-sales services and other dimensions to ensure that the material suppliers included in the qualified list all meet the group standards.

The quality assurance department and other relevant departments of the Group will regularly monitor co-operating suppliers by regular audit and visit, telephone interview, annual assessment and other modes. For the suppliers that fail to meet the Group's standards after audit and assessment, the Group will replace the suppliers in a timely manner after assessment to assure the quality of the supplied materials. In 2022, the Group implemented the practices of relevant supplier engagement management system for all the 644 co-operating suppliers.

The Group establishes Quality Risk Control Regulations 《質量風險管控規程》 to identify the environmental and social risks of each link in the supply chain. According to the Regulations, when monitoring the suppliers, the Group regards the fact of whether the supplier experiences any environmental and social risks as one of the critical criteria for inspection. For the suppliers with material environmental and social risks, the Group will require the suppliers to make corresponding rectification for the existing risks. For the unqualified suppliers after rectification, the Group will remove them from the list of qualified suppliers to control the environmental and social risks of each link in the supply chain.

In order to promote co-operating suppliers to use more environmentally friendly products and enhance their environmental awareness, the Group sets the environmental protection property of the materials supplied as one of the important criteria when selecting suppliers. The Group will evaluate the environmental protection property of the pre-purchased materials or equipment themselves as well as their external packing, modes of transportation and processes. Meanwhile, the Group will strictly review the operation and production qualification of the suppliers to ensure that the co-operating suppliers are free from violations and disciplinary problems, and regularly inquire about their qualifications and credit. The Group gives priority to cooperation with standardized suppliers who can provide high-quality and environmentally friendly materials, so as to reduce the possible harm of the Group's supply chain to the society and environment, strengthen the environmental awareness of the suppliers, and enhance the sustainable development of the Group's supply chain.

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3.6 Overview of Product Liability

3.6.1 Health and safety of products and services

The Group gives first priority to the safety of products and strictly controls the quality of vaccines with the mission of "developing and manufacturing top quality vaccines to safeguard the health of the world". The Group strictly complies with relevant laws and regulations on product health and safety, advertising, labelling and remedies that have material impacts on the Group, which includes but not limited to the Drug Administration Law of the People's Republic of China (《中華人民共和國藥品管理法》), the Biosecurity Law of the People's Republic of China (《中華人民共和國生物安全法》), Regulations of Implementation of the Drug Administration Law (《中華人民共和國藥品管理法實施條例》), Regulations on Administration of Vaccine Storage and Transportation (2017 Edition) (《疫苗儲存和運輸管理規範(2017年版)》), Good Pharmacovigilance Practice (《藥物警戒質量管理規範》), Provisions for Drug Registration (《藥品註冊管理辦法》), Measures for the Supervision and Administration of Drug Production (《藥品生產監督管理辦法》), Work Safety Law of the People's Republic of China (《中華人民共和國安全生產法》), Good Manufacturing Practice for Pharmaceutical Products (2010 Revision) (《藥品生產質量管理規範(2010年修訂)》), Advertising Law of the People's Republic of China (《中華人民共和國廣告法》) and the Trademark Law of the People's Republic of China (《中華人民共和國商標法》). The Group has established a sound drug management system to cover all the factors affecting drug quality and guarantee the safety of each marketed drug to the largest extent. At the same time, the Group has developed a drug storage management system and a drug vigilance management system to strictly monitor and manage the storage and vigilance of drugs pursuant to relevant laws and regulations to minimize drug safety risks, ensure product quality and comprehensively guarantee the health of drug users.

3.6.2 Production process control

The Group puts production safety of pharmaceuticals in an important position, and is committed to continuously optimizing the Group's production management system to ensure quality and safety of pharmaceuticals. The affiliated plants of the Group strictly control the whole production process of the products in accordance with the requirements of relevant laws to minimize the risks of contamination, cross contamination, confusion and errors during the manufacture process of pharmaceutical products, and to ensure the consistent and stable production of pharmaceutical products in conformity to intended use and registration requirements. In 2022, in order to strengthen safety control of the manufacture process of pharmaceutical products, the affiliated plants of the Group have implemented a number of measures: replacing the silicone tube of the stock liquid tank directly in contact

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with the product into the heat shrink tube to further improve the bacteria-free guarantee of pharmaceuticals; carrying out preventive maintenance of equipment in advance according to the preventive maintenance plan to effectively reduce the probability of equipment malfunction; strengthening the training of production staff in theoretical knowledge, operational skills and laws and regulations to improve the management and operation level of production staff; strengthening the assessment of production process risks to ensure that risks are maintained at acceptable levels; completing the information management of the production process to further improve the reliability of product data; organizing experts to inspect the production quality management of the Group, and correcting the existing problems according to the inspection results. The Group will continue to improve the production system of existing products and try its best to reduce the risks of production safety of products that may be involved.

3.6.3 Quality appraisal and management

To enhance the effective quality management and control of our products, the Group has formulated the Quality Management Manual《質量管理手冊》in accordance with the registration requirements, which explicitly stipulates the quality management guidelines, quality management objectives and quality management elements of the enterprise. At the same time, in order to effectively control quality risks during the product operations processes, the Group has formulated the Regulation on Quality Risk Management《質量風險管理規程》, which defines the responsibilities of each organization and each department, and the quality management for the whole life cycle of products such as materials, production, inspection, release, storage and shipping. The Group has established a quality assurance system, covering the management procedures of quality system such as material and supplier management, deviation management, change management and management of abnormal results in laboratory.

Each batch of the Group's products is subject to several inspections and assessments by the Group's quality assurance department, the Group's quality control department, National Institutes for Food and Drug Control (中國食品藥品檢定研究院), the Qualified Person and other parties before launching and selling the product. The Group will regularly conduct the self-inspection of its existing quality control system to ensure its continued effectiveness. Based on the inspection reports issued by the self-inspection team, the relevant departments of the Group will rectify the corresponding link in the system and issue rectification reports, so as to continuously optimize the quality management system. At the same time, the Group has customized and implemented its risk management plan upon the launch of products, continuing to monitor and study the safety, effectiveness and quality controllability of drugs, in an effort to constantly enhance the process and improve the quality of products.

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3.6.4 Deviation management

Deviation management is an important step in the drug quality management and control of the Group. The Group has implemented regular deviation investigations to strengthen the management and control of pharmaceutical quality management systems and reduce the potential safety risks of drugs in a timely manner. In order to strengthen deviation management for drugs, the Group has formulated the Deviation Management Provisions (《偏差管理規程》), which stipulates such important processes as initiation, identification, assessment and grading, and corrective and preventive measures of deviation investigations. Meanwhile, in order to enhance the systematicness and pertinence of deviation management, the Group has implemented classified management for the deviations and set up differentiated investigation, handling and prevention processes for minor deviations, major deviations and significant deviations.

3.6.5 Laboratory management

The Group regards the management of the laboratories as an important part to ensure product quality. The affiliated laboratories of the Group have established a comprehensive management system for various parts such as samples, reagents, instruments and equipment, experimental procedures and handling of abnormal results in the laboratories. The laboratory has the responsibility to conduct a thorough internal investigation for any abnormal results occurred during the experiment. The quality control department and quality assurance department of the affiliated laboratories of the Group will formulate and implement corresponding corrective and preventive measures according to the laboratory's internal investigation results, and track the measures to ensure their effectiveness.

3.6.6 Product recall

In accordance with relevant laws and regulations, the Group has formulated the Product Recall Management Procedures (《產品召回管理規程》), the Quality Incident Emergency Plan (《質量事件應急預案》), the AIM Recall Management Procedures (《艾美召回管理程序》) and other documents. When a situation arises that may require recall, the Qualified Person of the Group is obliged to immediately start the recall procedure. The quality assurance department and other relevant departments of the Group are obliged to organize the meetings in a timely manner and conduct a thorough investigation and assessment for the emergence, and decide whether to implement a recall. If it is necessary to implement a recall, the Group will immediately set up a recall team, formulate a specific recall plan, coordinate with relevant departments such as the customer support and storage and transportation department to push forward the implementation of the plan and report to the provincial and municipal drug regulatory authorities. For the recalled products, the Group will handle them correspondingly according to the destruction requirements. To ensure the effectiveness of the recall system of the Group, the Group has established a comprehensive simulated recall system and conducts recall drills on a regular basis. In 2022, the Group has not generated any sold or shipped products that subject to recall for safety and health reasons.

Environmental, Social and Governance Report

3.6.7 Customer complaints

The Group has established a comprehensive complaint management system to fully safeguard the legitimate rights and interests of customers and ensure safety and satisfaction of customers. To ensure the standardization and systematization of complaint handling, the Group has formulated the User Complaint Management Procedures (《用戶投訴管理規程》), which stipulates the responsibilities of each department in the complaint handling process and clarifies the registration procedure of the complaint information to ensure that all complaints of the customers are handled effectively. The Group requires that the person in charge of the relevant department has the obligation to formulate an emergency handling plan in a timely manner upon receipt of a complaint, and follow up the subsequent investigation and rectification to ensure that complaints are properly handled and resolved. At the same time, the Group has formulated the corrective and preventive measures for the complaints management system to ensure that the system can be continuously optimized. In 2022, the Group has carried out complaint analysis on a total of one customer complaint about the products received by the Group in accordance with the requirements of the User Complaint Management Procedures of the Company, and handled it properly. According to the investigation results, the complaint resulted from the packaging material itself. The Group provided quality feedback to the supplier in a timely manner and required the supplier to make corresponding rectification to strictly avoid the recurrence of similar incidents. After feedback and communication, the customer was satisfied with the investigation and feedback results and closed the complaint.

3.6.8 Intellectual property management

The Group attaches great importance to the protection and management of intellectual property rights and strictly complies with the laws and regulations relating to the management of intellectual property rights, including but not limited to the Patent Law of the People's Republic of China (《中華人民共和國專利法》), the Copyright Law of the People's Republic of China (《中華人民共和國版權法》) and the Measures for Implementation of the Patent Law of the People's Republic of China (《中華人民共和國專利法實施細則》). In order to strengthen the management of the Group's intellectual property rights and encourage employees to make inventions and innovations, the Group has formulated the documents such as the Management System for Intellectual Property Rights (《知識產權管理制度》), the Patent Management System (《專利管理制度》) and the Trademark Management System (《商標管理制度》), and regularly updates such documents to continuously optimize the Group's management system for intellectual property rights. At the same time, the Group has established a scientific patent layout based on its own characteristics and research and development projects, so as to continuously enhance the competitiveness of the intellectual properties of the Group.

Environmental, Social and Governance Report

In order to protect our own R&D achievements and legitimate rights and interests and strictly avoid infringing upon others' intellectual property rights, the Group has established the Intellectual Property Management Department, which is responsible for formulating, implementing and supervising the work related to the intellectual property rights of the Group, including the formulation of management regulations on intellectual property rights, conducting comprehensive patent searches and analysis on the Group's projects of interest and under development, tracking the development of patents in the industry and carrying out early warning, conducting application and subsequent maintenance for corporate patents, as well as regularly conducting legal popularization and education and training on intellectual property rights within the Group. To further motivate and encourage our employees to make inventions and innovations, apply and protect intellectual property rights, the Group has set up the Reward Management Mechanism of Intellectual Property Rights to grant certain incentive funds to inventors and designers.

3.6.9 Customer information protection and privacy policy

The Group attaches great importance to information security management and private data protection, considering the protection of information security of customers, employees and other stakeholders as the Group's most fundamental responsibility. The Group strictly complies with the Personal Information Protection Law of the People's Republic of China (《中華人民共和國個人信息保護法》), the Data Security Law of the People's Republic of China (《中華人民共和國數據安全法》), the Cybersecurity Law of the People's Republic of China (《中華人民共和國網絡安全法》) and other relevant laws and regulations, and has adopted strict measures to protect the Group's information resources and the data privacy of the Group's stakeholders. The Group has made detailed explanations and rules on the use and maintenance of the Group's information security system in the Employee Handbook, which clearly defines the process of information security handling and privacy protection. It is the responsibility of the Group's employees to strictly abide by the corporate system and provide guarantee for the security of the Group's information and customer privacy. The Group has a comprehensive internal control system in place to strictly avoid non-business-related persons from accessing customers' personal privacy, so as to protect the customers' personal information to the utmost extent. Meanwhile, the Group regularly monitors and maintains existing information and privacy protection initiatives to ensure their long-term effectiveness, and seeks to guarantee the security of the Group's stakeholders' information privacy.

Environmental, Social and Governance Report

3.7 Brief Analysis of Corporate Anti-corruption Measures

The Group has always strictly complied with applicable laws and regulations involving anti-corruption, anti-bribery, anti-fraud, anti-extortion and anti-money laundering, including but not limited to the Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》) and the Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》). The Group adheres to business integrity and considers anti-money laundering, anti-fraud, anti-extortion and anti-corruption as the Group's primary responsibility and resolutely resists commercial bribery and corruption. The Group provides relevant training to the Board of Directors and employees on a regular basis to promote their awareness of and compliance with applicable anti-corruption and anti-commercial bribery laws and regulations. There were no corruption lawsuits against the Group and its employees in 2022.

In order to strengthen the Group's anti-corruption initiatives, the Group has established a comprehensive whistle-blowing mechanism and opened various channels such as complaint and whistle-blowing email addresses and telephone numbers to ensure the accessibility of complaint and whistle-blowing channels for employees, and encourage employees to report illegal acts and protect their rights and interests to complaint.

The Group requires all employees to strictly abide by relevant laws and regulations, strictly prohibits acts such as fraud and bribery, and insists on a zero-tolerance attitude towards any kind of corruption. Once any violation of the law is found, it will be dealt with seriously in accordance with laws and regulations and the internal system of the Group, and in the event of serious circumstances, the employment relationship will be terminated and legal liability will be pursued. The Group will always adhere to laws, regulations and business ethics, incorporate high standards of business ethics and codes of conduct into its daily business operations, and ensure the observance of the law, compliance and integrity of all employees.

3.8 Overview of Corporate Community Investment

The Group has always committed to its corporate social responsibilities and mission, complied with the Charity Law of the People's Republic of China (中華人民共和國慈善法), and enthusiastically engaged in public welfare. While focusing on the corporate operations and development, the Group is also concerned about the community and always pays attention to the efforts that the enterprise can contribute to social development. The Group focused on contributing to community investment activities in the healthcare sector. While providing safe and high-quality medicines to the public, the Group will continue to perform its social responsibility to the maximum extent and expand its social influence through its own resources. Through his personal charitable foundation, the Company's founder, chairman of the Board and CEO of the Company conducts annual visits, communications and donations for disabled children, poor families, left-behind children or other welfare organizations. The following is the Group's major achievements in community investment in 2022:

Environmental, Social and Governance Report

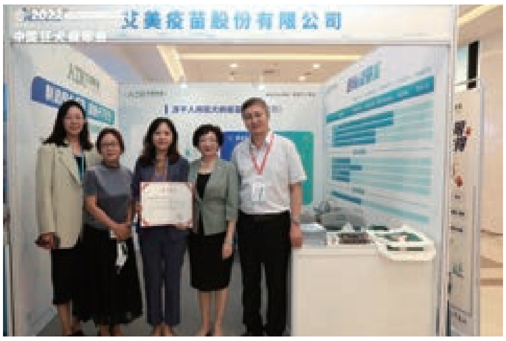
Cooperate with Wuhan Branch of Chinese Academy of Sciences to build a leading industry-research cooperation community in China

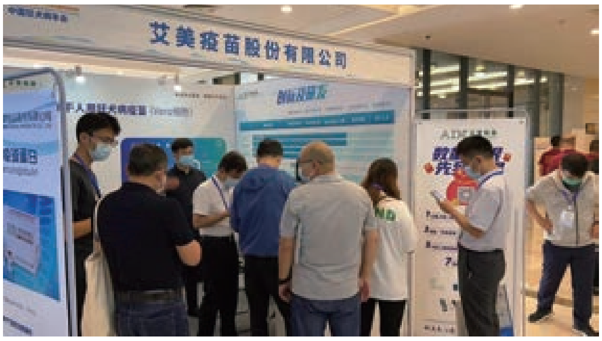
AIM Vaccine Co., Ltd. and Wuhan Institute of Virology, Chinese Academy of Sciences signed a cooperation framework agreement on May 17, and established a comprehensive strategic partnership to build an internationally advanced and China's leading cooperation community of industry and research. Both parties will cooperate to carry out scientific and technological research in the fields of emerging, sudden and major infectious diseases and biosafety, as well as transformation of scientific and technological achievements to achieve complementary advantages, resource and information sharing and common development. At present, driven by science and technology innovation and led by strategic policies, China is entering a major period of opportunity for the development of bio-economy, while the impact of the COVID-19 pandemic on globalization continues, triggering profound transformations in the structure of the global industry chain and the industrial pattern. As a bellwether in China's vaccine industry and with recognized industrialization advantages and strength, AIM Vaccine has joined hands with Wuhan Institute of Virology, Chinese Academy of Sciences, which is a vivid case of proactively embracing the changes in industry development and promoting the high-quality development of China's bio-economy.

Environmental, Social and Governance Report

AIM Vaccine boosts to eliminate rabies in China

The "2022 Rabies Conference of China" co-organized by the Chinese Preventive Medicine Association (中華預防醫學會), the Chinese Association of Animal Science and Veterinary Medicine (中國畜牧獸醫學會), and the China Working Dog Management Association (中國工作犬管理協會) came to a successful conclusion on September 3. At the conference, AIM Vaccine set up a booth to interact with industry experts and peers, sharing the knowledge of vaccine innovation, R&D and vaccination. The organizer, the Chinese Preventive Medicine Association, fully recognized the contribution to the conference made by the Group and granted the certificate of honor to us. The elimination of rabies in China requires the communication and cooperation of multiple departments. In the future, AIM Vaccine will continue to build a platform for multi-disciplinary and multi-department communication, play a leading academic role, and constantly contribute to the progress of human disease prevention in China.





Environmental, Social and Governance Report

Support Southern Health to conduct health science popularization live on the 16th World Rabies Day

On September 28, in order to clarify the rumors in the prevention and control of rabies and eliminate the public's anxiety and panic, the "World Rabies Day" livestream held by Health Talk《健談》program of Southern Health, named by AIM Vaccine, was successfully held. In the livestream, Li Huadong, an expert and scholar for science popularization in China and the associate chief physician of the Infectious Disease Department of Wuhan Jinyintan Hospital, was specially invited to give a live speech titled "Do people have to vaccinate against rabies after they are bitten by animals? " for the popularization of science to the public, which attracted nearly 40,000 people to watch and learn online. Prevention and control of rabies is the common responsibility of the entire society and also the sacred obligation of every person who counts health first. The event reiterated the importance of rabies prevention. As an innovative vaccine company committed to providing high-quality and affordable vaccines for human disease prevention, AIM Vaccine continued to strictly control the quality of vaccine production, providing more efficient health protection for the general public. At the same time, AIM Vaccine cooperated with Southern Health, the largest health science popularization IP omnimedia platform in China, to vigorously support activities regarding the rabies science popularization and education, which effectively guided the public to correctly understand rabies, and played a part in improving the health awareness of the public and proactively implementing health actions.

Appendix

HONG KONG STOCK EXCHANGE "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT GUIDE" CONTENT INDEX

Aspects		Description	Related Section
		A Environmental	
Aspect A1: Emissions	General Disclosure	Information on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	2.1 Analysis of Corporate Emissions
	A1.1	The types of emissions and respective emissions data.	2.1.1 Related indicator analysis of corporate emissions
	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).	2.1.1 Related indicator analysis of corporate emissions
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	2.1.1 Related indicator analysis of corporate emissions
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	2.1.1 Related indicator analysis of corporate emissions
	A1.5	Description of emissions target(s) set and steps taken to achieve them.	2.1.2 Measures and targets for emission reduction and waste reduction implemented by the corporate
	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.	2.1.2 Measures and targets for emission reduction and waste reduction implemented by the corporate

Appendix

Aspects		Description	Related Section
Aspect A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	2.2.2 Energy efficiency goals and measures formulated by the corporate
	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).	2.2.1 Corporate’s main energy consumption structure
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	2.2.1 Corporate’s main energy consumption structure
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	2.2.2 Energy efficiency goals and measures formulated by the corporate
	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.	2.2.3 The corporate’s methods to obtain the applicable water sources and goals and measures to improve water efficiency
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	2.2.1 Corporate’s main energy consumption structure
Aspect A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer’s significant impacts on the environment and natural resources.	2.3.1 Analysis of the significant impact of corporate business activities on the environment and natural resources and related measures
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	2.3.1 Analysis of the significant impact of corporate business activities on the environment and natural resources and related measures
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.	2.4.1 Significant climate-related issues or policies affecting the Group, and responsive actions to be taken
	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.	2.4.1 Significant climate-related issues or policies affecting the Group, and responsive actions to be taken

Appendix

Aspects		Description	Related Section
		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.	3.1 Analysis of the Current Situation of Corporate Employment
	B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	3.1.9 Employment status
	B1.2	Employee turnover rate by gender, age group and geographical region.	3.1.10 Employee turnover
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.	3.2 Overview of Employee Health and Safety
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	3.2 Overview of Employee Health and Safety
	B2.2	Lost days due to work injury.	3.2 Overview of Employee Health and Safety
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	3.2 Overview of Employee Health and Safety
Aspect B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	3.3 Overview of Employee Development and Training
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	3.3.1 Trained employees
	B3.2	The average training hours completed per employee by gender and employee category.	3.3.2 Average training hours for employees

Appendix

Aspects		Description	Related 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.	3.4 Guidelines and Measures for Preventing Child Labor or Forced Labor
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	3.4 Guidelines and Measures for Preventing Child Labor or Forced Labor
	B4.2	Description of steps taken to eliminate such practices when discovered.	3.4 Guidelines and Measures for Preventing Child Labor or Forced Labor
Aspect B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	3.5.3 Suppliers management
	B5.1	Number of suppliers by geographical region.	3.5.1 Supplier overview
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	3.5.3 Suppliers management
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	3.5.3 Suppliers management
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	3.5.3 Suppliers management

Appendix

Aspects		Description	Related Section
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.	3.6.1 Health and safety of products and services
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	3.6.6 Product recall
	B6.2	Number of products and service related complaints received and how they are dealt with.	3.6.7 Customer complaints
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	3.6.8 Intellectual property management
	B6.4	Description of quality assurance process and recall procedures.	3.6.3 Quality appraisal and management 3.6.6 Product recall
	B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	3.6.9 Customer information protection and privacy policy
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.	3.7 Brief Analysis of Corporate Anti-corruption Measures
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	3.7 Brief Analysis of Corporate Anti-corruption Measures
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	3.7 Brief Analysis of Corporate Anti-corruption Measures
	B7.3	Description of anti-corruption training provided to directors and staff.	3.7 Brief Analysis of Corporate Anti-corruption Measures

Appendix

Aspects		Description	Related Section
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.	3.8 Overview of Corporate Community Investment
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	3.8 Overview of Corporate Community Investment
	B8.2	Resources contributed (e.g. money or time) to the focus area.	3.8 Overview of Corporate Community Investment

Independent Auditor's Report

To the shareholders of AIM Vaccine Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of AIM Vaccine Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 120 to 214, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

Independent Auditor's Report

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill and deferred development costs not available for use	
The Group had goodwill and deferred development costs not available for use with a net carrying value of RMB482,897,000 and RMB1,922,700,000, respectively, as at 31 December 2022. In accordance with IFRSs, the Group is required to perform impairment testing for goodwill and deferred development costs not available for use at least on an annual basis. The impairment testing is based on the recoverable amount of each cash-generating unit ("CGU") to which the goodwill is allocated, and the recoverable amount of the deferred development costs not available for use. The recoverable amount is its value in use using cash flow projections based on a financial budget. This matter was significant to our audit because the process of impairment test was complex and involved significant management judgements and estimates. The Group's disclosures about impairment assessment of goodwill and deferred development costs not available for use are included in note 2.4 *Summary of significant accounting policies*, note 3 *Significant accounting judgements and estimates*, note 15 *Goodwill* and note 16 *Other intangible assets* to the consolidated financial statements.	Our audit procedures, among others, included assessing the evaluation of management's identification of cash-generating unit within the Group, and reviewing management's future forecasted cash flows and key assumptions by comparing to the historical financial performance, budget and financial projections. We involved our internal specialists to assist us in assessing the assumptions and methodologies used by the Group. We also focused on the adequacy of the Group's disclosures in the consolidated financial statements.
Capitalisation of development expenditure	
The Group is principally engaged in the research and development, manufacturing and commercialisation of vaccine products for human use. During the year ended 31 December 2022, the expenditure incurred on projects to develop new pneumococcal products of RMB53,300,000 was capitalised in intangible assets in the consolidated financial statements. This matter was significant to our audit because significant management estimation and judgements were required in determining whether the development expenditure met the capitalisation criteria. The Group's disclosures about capitalisation of development expenditure are included in note 2.4 *Summary of significant accounting policies*, note 3 *Significant accounting judgements and estimates*, and note 16 *Other intangible assets*.	Our audit procedures, among others, included assessing whether the capitalisation policy adopted was in line with IFRSs, obtaining an understanding of the management's internal approval procedures regarding the capitalisation of development expenditure by conducting interviews with key management members in charge of research, development and commercialisation of various projects and obtaining certifications related to different stages of development activities and commercial and technical feasibility reports prepared by management. We understood, evaluated and validated the key controls in the process of capitalisation of development costs. We also focused on the adequacy of the Group's disclosures in the consolidated financial statements.

Independent Auditor's Report

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Independent Auditor's Report

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

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

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

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

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

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

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

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

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

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

Independent Auditor's Report

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Shun Lung Wai.

Ernst & Young
Certified Public Accountants
Hong Kong
29 March 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2022

	Notes	Year ended 31 December 2022 RMB'000	2021 RMB'000
REVENUE	*5*	**1,264,073**	1,570,129
Cost of sales		**(236,414)**	(275,429)
Gross profit		**1,027,659**	1,294,700
Other income and gains	*5*	**49,637**	53,622
Selling and distribution expenses		**(493,167)**	(460,114)
Administrative expenses		**(450,756)**	(1,167,979)
Research and development costs		**(500,310)**	(307,353)
Impairment losses on financial assets, net		**(27,215)**	(7,981)
Other expenses		**(14,320)**	(895)
Finance costs	*6*	**(25,693)**	(10,703)
LOSS BEFORE TAX	*7*	**(434,165)**	(606,703)
Income tax credit/(expense)	*10*	**203,535**	(69,170)
LOSS FOR THE YEAR		**(230,630)**	(675,873)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(230,630)**	(675,873)
Loss attributable to:			
Owners of the parent		**(319,601)**	(692,774)
Non-controlling interests		**88,971**	16,901
		(230,630)	(675,873)
Total comprehensive loss attributable to:			
Owners of the parent		**(319,601)**	(692,774)
Non-controlling interests		**88,971**	16,901
		(230,630)	(675,873)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:	*12*		
Basic			
– For loss for the year (RMB)		**(0.27)**	(0.60)
Diluted			
– For loss for the year (RMB)		**(0.27)**	(0.60)

Consolidated Statement of Financial Position

Year ended 31 December 2022

	Notes	Year ended 31 December 2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	**3,290,829**	2,655,133
Right-of-use assets	*14*	**197,263**	215,467
Goodwill	*15*	**482,897**	482,897
Other intangible assets	*16*	**2,238,496**	2,192,693
Prepayments for equipment	*17*	**114,448**	149,565
Other non-current assets	*18*	**3,150**	17,914
Total non-current assets		**6,327,083**	5,713,669
CURRENT ASSETS			
Inventories	*19*	**504,738**	367,397
Trade receivables	*20*	**1,052,594**	1,063,653
Prepaid income tax		**8,714**	–
Prepayments, other receivables and other assets	*21*	**173,666**	148,572
Financial assets at fair value through profit or loss	*22*	**–**	100,000
Due from related parties	*38*	**–**	10,000
Restricted cash	*23*	**11,173**	22,320
Time deposits	*23*	**162,643**	–
Cash and cash equivalents	*23*	**635,175**	646,742
Total current assets		**2,548,703**	2,358,684
CURRENT LIABILITIES			
Trade payables	*24*	**73,583**	51,762
Other payables and accruals	*25*	**1,072,982**	1,003,384
Contract liabilities	*26*	**57,197**	41,074
Interest-bearing bank borrowings	*27*	**1,010,693**	407,364
Lease liabilities	*14*	**19,342**	16,904
Tax payable		**7,872**	40,893
Deferred government grants	*29*	**4,818**	4,571
Provisions		**3,310**	4,090
Total current liabilities		**2,249,797**	1,570,042
NET CURRENT ASSETS		**298,906**	788,642
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,625,989**	6,502,311

Consolidated Statement of Financial Position

Year ended 31 December 2022

	Notes	Year ended 31 December 2022 RMB'000	2021 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*27*	**339,442**	184,334
Lease liabilities	*14*	**29,190**	41,829
Deferred tax liabilities	*28*	**269,011**	491,828
Deferred government grants	*29*	**127,439**	85,030
Total non-current liabilities		**765,082**	803,021
Net assets		**5,860,907**	5,699,290
EQUITY			
Equity attributable to owners of the parent			
Share capital	*30*	**1,211,063**	1,200,000
Reserves	*32*	**3,749,178**	3,692,595
		4,960,241	4,892,595
Non-controlling interests		**900,666**	806,695
Total equity		**5,860,907**	5,699,290

Yan ZHOU
Director

Wen GUAN
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2022

	Notes	Share capital RMB'000	Capital reserve* RMB'000	Merger reserve* RMB'000	Statutory reserve* RMB'000	Share-based compensation reserves* RMB'000	Retained profits/ (accumulated losses)* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to owners of the parent								
At 1 January 2021		1,110,000	1,631,442	(30,763)	73,201	31,251	606,494	3,421,625	–	3,421,625
Loss for the year		–	–	–	–	–	(692,774)	(692,774)	16,901	(675,873)
Total comprehensive loss for the year		–	–	–	–	–	(692,774)	(692,774)	16,901	(675,873)
Issue of shares	30	90,000	1,121,175	–	–	–	–	1,211,175	–	1,211,175
Acquisition of a subsidiary		–	–	–	–	–	–	–	789,794	789,794
Equity-settled share-based compensation	31	–	–	–	–	952,569	–	952,569	–	952,569
Transfer from retained profits		–	–	–	19,998	–	(19,998)	–	–	–
At 31 December 2021		1,200,000	2,752,617	(30,763)	93,199	983,820	(106,278)	4,892,595	806,695	5,699,290

	Notes	Share capital RMB'000	Capital reserve* RMB'000	Merger reserve* RMB'000	Statutory reserve* RMB'000	Share-based compensation reserves* RMB'000	Accumulated losses* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to owners of the parent								
At 1 January 2022		**1,200,000**	**2,752,617**	**(30,763)**	**93,199**	**983,820**	**(106,278)**	**4,892,595**	**806,695**	**5,699,290**
Loss for the year		**-**	**-**	**-**	**-**	**-**	**(319,601)**	**(319,601)**	**88,971**	**(230,630)**
Total comprehensive loss for the year		**-**	**-**	**-**	**-**	**-**	**(319,601)**	**(319,601)**	**88,971**	**(230,630)**
Issue of shares	30	**11,063**	**150,952**	**-**	**-**	**-**	**-**	**162,015**	**5,000**	**167,015**
Share issue expenses	30	**-**	**(1,977)**	**-**	**-**	**-**	**-**	**(1,977)**	**-**	**(1,977)**
Equity-settled share-based compensation	31	**-**	**-**	**-**	**-**	**227,209**	**-**	**227,209**	**-**	**227,209**
Transfer from retained profits		**-**	**-**	**-**	**10,276**	**-**	**(10,276)**	**-**	**-**	**-**
At 31 December 2022		**1,211,063**	**2,901,592**	**(30,763)**	**103,475**	**1,211,029**	**(436,155)**	**4,960,241**	**900,666**	**5,860,907**

* These reserve accounts comprise the consolidated other reserves of RMB3,749,178,000 (2021: RMB3,692,595,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2022

	Notes	Year ended 31 December 2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(434,165)**	(606,703)
Adjustments for:			
Finance costs	*6*	**25,693**	10,703
Interest income	*5*	**(10,694)**	(10,777)
Gain on disposal of wealth investment products at fair value	*5*	**(3,074)**	(1,673)
Equity-settled share-based compensation expenses	*31*	**225,762**	952,128
Amortisation of deferred government grants	*29*	**(4,661)**	(4,934)
Amortisation of other intangible assets	*16*	**34,782**	33,790
Write-down of inventories to net realisable value		**24,653**	21,671
Loss on disposal of items of property, plant and equipment		**691**	208
Provision for impairment of trade receivables	*20*	**27,215**	7,984
Reversal of impairment of prepayments, other receivables and other assets	*21*	**–**	(3)
Exchange losses/(gains), net		**7,995**	(2,032)
Depreciation of property, plant and equipment	*13*	**104,657**	87,430
Depreciation of right-of-use assets	*14*	**27,002**	23,071
		25,856	510,863
Increase in inventories		**(161,994)**	(136,355)
Increase in trade receivables		**(16,156)**	(201,773)
(Increase)/Decrease in prepayments, other receivables and other assets		**(4,670)**	8,536
Decrease in amounts due from related parties		**–**	66,573
Decrease in restricted cash		**11,286**	2,223
Increase in trade payables		**21,821**	13,790
Decrease in amounts due to related parties		**–**	(151)
Increase/(decrease) in contract liabilities		**16,123**	(28,914)
Increase/(decrease) in other payables and accruals		**56,987**	(51,366)
Cash (used in)/generated from operating activities		**(50,747)**	183,426
Income tax paid		**(59,570)**	(90,028)
Net cash flows (used in)/generated from operating activities		**(110,317)**	93,398

Consolidated Statement of Cash Flows

Year ended 31 December 2022

	Notes	Year ended 31 December 2022 RMB'000	2021 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**8,051**	10,777
Gain on disposal of wealth investment products at fair value		**3,074**	1,673
Proceeds from redemption of financial assets at fair value through profit or loss		**100,000**	4,229
Purchase of items of property, plant and equipment		**(779,008)**	(1,125,381)
Acquisition of a subsidiary		**–**	(250,377)
Purchase of right-of-use assets		**(300)**	(16,122)
Purchase of other intangible assets		**(77,332)**	(225)
Receipt of government grants for property, plant and equipment	*29*	**47,317**	38,035
Increase in restricted cash		**(139)**	(137)
Increase in time deposits		**(160,000)**	–
Proceeds from disposal of property, plant and equipment		**187**	23
Net cash flows used in investing activities		**(858,150)**	(1,337,505)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**1,282,014**	537,825
Repayment of bank loans		**(434,158)**	(244,500)
Interest paid		**(24,592)**	(10,295)
Contribution from non-controlling interests		**15,000**	–
Proceeds from issue of shares		**162,015**	553,475
Payment of listing expenses		**(1,209)**	(31,948)
Principal portion of lease payment		**(18,699)**	(16,538)
Net cash flows generated from financing activities		**980,371**	788,019
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**11,904**	(456,088)
Cash and cash equivalents at beginning of year		**646,742**	1,102,830
Effect of foreign exchange rate changes, net		**(2,379)**	–
CASH AND CASH EQUIVALENTS AT END OF YEAR		**656,267**	646,742
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position	*23*	**635,175**	646,742
Wealth investment product at amortized cost	*21*	**21,092**	–
Cash and cash equivalents as stated in the statement of cash flows		**656,267**	646,742

Notes to Financial Statements

31 December 2022

1. CORPORATE AND GROUP INFORMATION

AIM Vaccine Co., Ltd. (the "Company") was incorporated as a limited liability company in the People's Republic of China (the "PRC") on 9 November 2011. Upon approval by the shareholders' general meeting held on 18 September 2020, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC and changed its registered name from "Beijing AIM Biological Vaccine Technology Group Co., Ltd.* (北京艾美生物疫苗技術集團有限公司) to "AIM Vaccine Co., Ltd.* (艾美疫苗股份有限公司) on 23 September 2020. The registered office of the Company is located at Room 218, 2/F, Xinghai Building, 16 Yingshun Road, Yinghai Town, Daxing District, Beijing, PRC.

During the year, the Group was involved in the research and development, manufacturing and commercialisation of vaccine products for human use in the PRC.

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 6 October 2022.

Information about subsidiaries

Particulars of the Company's subsidiaries as at 31 December 2022, all of which are limited liability companies incorporated in the PRC, are as follows:

Name	Place of operations and date of registration	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Ningbo Rong'an Biological Pharmaceutical Co., Ltd. * ("寧波榮安生物藥業有限公司") ("Rong'an Bio")	Ningbo 30 April 2001	RMB60,000,000/ RMB60,000,000	20%	80%	Vaccine development manufacture and sale of vaccine
AIM Honesty Biopharmaceutical Co., Ltd. * ("艾美誠信生物製藥有限公司") ("AIM Honesty")	Liaoning 20 September 1993	RMB250,000,000/ RMB250,000,000	100%	–	Vaccine development manufacture and sale of vaccine
AIM Weixin Biopharmaceutical (Zhejiang) Co., Ltd. * ("艾美衛信生物藥業(浙江)有限公司") ("AIM Weixin")	Ningbo 24 December 2002	RMB515,306,120/ RMB515,306,120	94.2534%	5.7466%	Vaccine development manufacture and sale of vaccine
AIM Kanghuai Biopharmaceutical (Jiangsu) Co., Ltd.* ("艾美康淮生物製藥(江蘇)有限公司") ("AIM Kanghuai")	Jiangsu 13 October 2011	RMB360,000,000/ RMB360,000,000	100%	–	Vaccine development manufacture and sale of vaccine
AIM Explorer Biomedical R&D Co., Ltd. * ("艾美探索者生命科學研發有限公司")	Shanghai 10 September 2018	RMB250,000,000/ RMB250,000,000	100%	–	Vaccine development

Notes to Financial Statements

31 December 2022

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Name	Place of operations and date of registration	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Liverna Therapeutics Inc. ("珠海麗凡達生物技術有限公司") ("Liverna")	Guangdong 21 June 2019	RMB7,500,000/ RMB7,500,000	50.1546%	–	Vaccine and drug development
AIM Innovator Biomedical Research (Shanghai) Co., Ltd. * ("艾美創新者生物醫藥研究(上海)有限公司")	Shanghai 17 May 2021	RMB25,000,000/ RMB50,000,000	90%	–	Vaccine development
AIM Vaccine Research Institute (Jiangsu) Co., Ltd. * ("艾美疫苗研究院(江蘇)有限公司")	Jiangsu 9 December 2013	RMB100,000/ RMB50,000,000	100%	–	Vaccine development
AIM Innovative Biotechnology (Shanghai) Co., Ltd. * ("艾美創新生物技術(上海)有限公司")	Shanghai 8 May 2019	RMB1,000,000/ RMB50,000,000	100%	–	Investment holding
Shanghai Beibi Road Cultural Development Co., Ltd. * ("上海北壁之路文化發展有限公司")	Shanghai 28 March 2017	RMB10,000,000/ RMB10,000,000	100%	–	Investment holding

* The English names of these subsidiaries registered in the PRC represent the translated names of these companies as no English names have been registered.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board ("IASB"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for wealth investment products which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Notes to Financial Statements

31 December 2022

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

Notes to Financial Statements

31 December 2022

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

The nature and the impact of the revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "Conceptual Framework") issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by IAS 2 Inventories, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

Notes to Financial Statements

31 December 2022

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(d) *Annual Improvements to IFRS Standards 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendment is applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[2]
IFRS 17	*Insurance Contracts*[1]
Amendments to IFRS 17	*Insurance Contracts*[1,5]
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*[6]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[2, 4]
Amendments to IAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

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

2 Effective for annual periods beginning on or after 1 January 2024

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024

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

6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17

Notes to Financial Statements

31 December 2022

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

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

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

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the IASB issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, The amendments are not expected to have any significant impact on the Group's financial statements.

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31 December 2022

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to IAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method except for business combination under common control. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

An acquisition of a business which is a business combination under common control is accounted for in a manner similar to a uniting of interests whereby the assets and liabilities acquired are accounted for at carryover predecessor values to the other party to the business combination within all periods presented as if the operations of the Group and the business acquired had always been combined. The difference between the consideration paid by the Group and the net assets or liabilities of the business acquired is adjusted against equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

Notes to Financial Statements

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

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

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

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

Notes to Financial Statements

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (continued)

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

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

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

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

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

Notes to Financial Statements

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

Notes to Financial Statements

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

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

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

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

Buildings	3.17% to 31.67%
Leasehold improvements	20.00% to 50.00%
Plant and machinery	9.50% to 31.67%
Motor vehicles	9.50% to 23.75%
Equipment and others	9.50% to 31.67%

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

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

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

Notes to Financial Statements

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill)

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

Patents and proprietary know-how

Patents and proprietary know-how are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 16 to 18 years.

Brands

Brands are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 18 years.

The brands and patents and proprietary know-how of the Group were associated with different vaccine products arising from business combinations and acquisitions from third parties. The useful lives of brands and patents and proprietary know-how were estimated based on the remaining period of economic benefits to be derived from the respective vaccine products to be produced relying on the brands and patents and proprietary know-how. The Group estimated the period of economic benefits to be derived from the respective vaccine products based on the expected time period required for a vaccine product from its development to commercialization and other factors, including the patent protection period, the historical life of similar vaccine products, the characteristics of such technologies, their update frequency and market requirement and competition. Based on such assessment, the Group considered that the maximum economic useful life of brands and patents and proprietary know-how was 30 years. As the different vaccine products have different commercialization commencement dates, acquisition dates by the Group and the expected lifespan of economic benefits, the remaining useful live of the Group's brands and patents and proprietary know-how varies at a range of 18 years and 16 to 18 years, respectively.

Software

Software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 2 to 10 years. The expected useful life of software is assessed by the Group after considering the contractual term, the current functionality equipped by the software, using plan and operation needs of the software. The software served as basement IT system is amortised over a longer period as 10 years. Other software served as fast updating applications and single application software is amortised over a shorter period as 2 to 5 years.

Notes to Financial Statements

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill) (continued)

Research and development costs

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

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

Deferred development cost is stated at cost less any impairment losses and is amortised using the straight-line basis over its estimated useful lives of 10 years. The useful life is estimated based on the expected life cycle of the underlying product since the commercialisation. Both the period and method of amortisation are reviewed annually.

Leases

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

Group as a lessee

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

(a) *Right-of-use assets*

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

Leasehold land	20 to 50 years
Buildings	2 to 8 years
Motor vehicles	5 years

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

Notes to Financial Statements

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessee (continued)

(b) *Lease liabilities*

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

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

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

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

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

Notes to Financial Statements

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Investments and other financial assets

Initial recognition and measurement

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

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

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

Notes to Financial Statements

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial assets at fair value through profit or loss

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

Notes to Financial Statements

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

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

Impairment of financial assets

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

General approach

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

Notes to Financial Statements

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

General approach (continued)

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group may consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

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

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

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

Simplified approach

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

Notes to Financial Statements

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings and payables.

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

The Group's financial liabilities include interest-bearing bank borrowings, lease liabilities, trade payables, due to related parties, and other payables.

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Notes to Financial Statements

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

Notes to Financial Statements

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

Notes to Financial Statements

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

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

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue from contracts with customers

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

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

(a) *Sale of vaccine*

Revenue from the sale of vaccine is recognised at the point in time when control of the goods is transferred, being when the goods are delivered to the customers, and the customers have accepted the goods in accordance with the sales contracts.

(b) *Research and development services*

Revenue from research and development services was recognised only when it satisfied a performance obligation by rendering the service or transferring the control of the result of research and development and there is no unfulfilled obligation that could affect the buyer's acceptance of the result. Before that, the counterparty had no right to receive and consume the benefits of the research and development services.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Notes to Financial Statements

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Other income

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

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. Further details are given in note 31 to the financial statements.

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

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

Notes to Financial Statements

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments (continued)

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

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

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

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

Other employee benefits

Social pension plans

The Group has social pension plans for its employees arranged by local government labour and security authorities. The Group makes contributions on a monthly basis to the social pension plans. The contributions are charged to profit or loss as they become payable in accordance with the rules of the social pension plans. The Group's liability in respect of these funds is limited to the contributions payable in each period.

Housing fund and other social insurances

The Group has participated in defined social security contribution schemes for its employees pursuant to the relevant laws and regulations of the PRC. These include housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances. The contributions are charged to profit or loss on an accrual basis. The Group's liability in respect of these funds is limited to the contributions payable in each period.

Notes to Financial Statements

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

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

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

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

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

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

Notes to Financial Statements

31 December 2022

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Research and development expenses

All research expenses are charged to the profit or loss as incurred. Expenses incurred on each pipeline to develop new products are capitalised and deferred in accordance with the accounting policy for research and development expenses in note 2.4 to the financial statements. Determining the amounts to be capitalised requires management to make judgements on the technical feasibility of existing pipelines to be successfully commercialised and bring economic benefits to the Group.

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

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

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2022 was RMB482,897,000 (2021: RMB482,897,000). Further details are given in note 15.

Notes to Financial Statements

31 December 2022

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Impairment testing of deferred development costs

The Group is required to test deferred development costs not available for use on an annual basis. Intangible assets are tested whenever events or changes in circumstances indicate that the carrying amount of those assets exceeds their recoverable amount. The recoverable amount is determined based on the higher of fair value less cost to sell and value in use. The carrying amount of deferred development costs not available for use at 31 December 2022 was RMB1,922,700,000 (2021: RMB1,869,400,000).

Determination of the value in use is an area involving management judgement in order to assess whether the carrying value of the intangible assets not available for use can be supported by the net present value of future cash flows. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of (i) timing of commercialisation, productivity and market size; (ii) revenue compound growth rate; (iii) costs and operating expenses; and (iv) the selection of discount rates to reflect the risks involved.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on ageing analysis of customers that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the distribution sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 20 to the financial statements.

Leases – Estimating the incremental borrowing rate

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

Notes to Financial Statements

31 December 2022

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of impairment of non-financial assets at 31 December 2022 was RMB85,117,000 (2021: RMB85,275,000).

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2022 was RMB17,363,000 (2021: RMB3,810,000). The amount of unrecognised tax losses at 31 December 2022 was RMB1,097,464,000 (2021: RMB597,375,000). Further details are contained in note 28 to the financial statements.

Write-down of inventories

The Group's inventories are stated at the lower of cost and net realisable value. The Group writes down its inventories based on estimates of the realisable value with reference to the ageing and conditions of the inventories, together with the economic circumstances on the marketability of such inventories. Inventories will be reviewed annually for write-down, if appropriate.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in the production and provision of services, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of each of the years based on changes in circumstances. Further details of the property, plant and equipment are set out in note 13 to the financial statements.

Notes to Financial Statements

31 December 2022

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Useful lives of items of intangible assets

The Group determines the estimated useful lives and related amortisation charges for its intangible assets. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are amortised over the useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Further details of the intangible assets are set out in note 16 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into one single business unit that is the sale of vaccine and research and development services. Management reviews the overall results and financial position of the Group as a whole based on the same accounting policies set out in note 2.4. Accordingly, the Group has only a single operating segment and no further analysis of the single operating segment is presented.

Geographical information

As the Group generates all of its revenues in the PRC and its non-current assets are located in PRC during the year, no further geographical information is presented.

Information about major customers

No revenue accounting for 10 percent or more of the Group's total revenue was derived from sale to a single customer during the year.

Notes to Financial Statements

31 December 2022

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Revenue from contracts with customers	**1,264,073**	1,570,129

Revenue from contracts with customers

(i) Disaggregated revenue information

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Types of goods or services		
Sale of vaccine	**1,264,038**	1,567,282
Research and development services	**35**	2,847
	1,264,073	1,570,129
Timing of revenue recognition		
Goods or services transferred at a point in time	**1,264,073**	1,570,129

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Sale of vaccine	**17,822**	9,852

Notes to Financial Statements

31 December 2022

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of vaccine

The performance obligation is satisfied upon the acceptance of the products by the customers and the payment is generally due within 180 days from delivery.

Research and development services

Based on the terms of the contract, the performance obligation is satisfied at the point in time as the services are rendered and accepted and payment is billed based on the milestone achieved.

An analysis of other income and gains is as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Other income and gains		
Government grants related to		
– Assets (i)	**4,661**	3,894
– Income	**30,827**	33,390
Bank interest income	**10,694**	10,777
Gain on disposal of wealth investment products at fair value	**3,074**	1,673
Foreign exchange gains, net	**–**	2,032
Others	**381**	1,856
	49,637	53,622

(i) The Group has received certain government grants related to assets for investment in leasehold land, property, plant and equipment. The grants related to assets were recognised in profit or loss over the useful lives of the relevant assets. Details of these grants related to assets are set out in note 29.

Notes to Financial Statements

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6. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Interest on bank loans	**47,042**	13,654
Interest on lease liabilities	**2,349**	2,376
Less: Interest capitalised	**23,698**	5,327
	25,693	10,703

7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

		Year ended 31 December	
		2022	2021
	Notes	***RMB'000***	*RMB'000*
Cost of inventories sold		**236,414**	275,237
Cost of services provided		**–**	192
Depreciation of property, plant and equipment	*13*	**104,657**	87,430
Depreciation of right-of-use assets	*14*	**27,002**	23,071
Amortisation of other intangible assets	*16*	**34,782**	33,790
Lease payments not included in the measurement of lease liabilities	*14*	**2,868**	2,881
Listing expenses		**78,042**	3,185
Auditors' remuneration		**318**	685
Employee benefit expenses (including directors' and chief executive's remuneration (note 8))			
Wages and salaries		**309,738**	303,087
Equity-settled share-based compensation expenses		**225,762**	952,128
Pension scheme contributions*		**72,530**	56,355
		608,030	1,311,570
Foreign exchange differences, net		**10,374**	(2,032)
Provision for impairment of trade receivables (note 20)		**27,215**	7,984
Reversal of impairment of prepayments, other receivables and other assets (note 21)		**–**	(3)
Write-down of inventories to net realisable value		**24,653**	21,671
Loss on disposal of property, plant and equipment		**691**	208
Interest income		**(10,694)**	(10,777)
Gain on disposal of wealth investment products at fair value		**(3,074)**	(1,673)

* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

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8. DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' and supervisors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Fees	**1,200**	1,160
Other emoluments:		
Salaries, allowances and benefits in kind	**5,583**	3,530
Performance related bonuses	**708**	1,130
Pension scheme contributions	**462**	416
Equity-settled share-based compensation expenses	**71,107**	896,940
	77,860	902,016
	79,060	903,176

During the year, certain directors were granted award shares to reward his contributions to the Group, further details of which are set out in note 31 to the financial statements. All the award shares have been vested and settled without subject to further conditions. The fair value of such award shares, which has been recognised in profit or loss, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and supervisors' remuneration disclosures.

Notes to Financial Statements

31 December 2022

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Mr. Ker Wei PEI	**300**	300
Mr. Liming LI (iii)	**–**	124
Mr. Jianwen LIAO (iii)	**–**	124
Ms. Jie WEN (ii)	**300**	177
Mr. Hui OUYANG (ii)	**300**	177
Mr. Xiaoguang GUO (i)	**300**	258
	1,200	1,160

(i) The Board announced that Mr. Xiaoguang GUO has been appointed as an independent non-executive director, with effect from 18 February 2021.

(ii) The Board announced that Ms. Jie WEN and Mr. Hui OUYANG have been appointed as independent non-executive directors, with effect from 28 May 2021.

(iii) Mr. Liming LI and Mr. Jianwen LIAO have tendered their resignation as independent non-executive directors, with effect from 28 May 2021.

There were no other emoluments payable to the independent non-executive directors during the year (2021: Nil).

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8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

(b) Directors and supervisors

2022

	Fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Performance-related bonuses *RMB'000*	Pension scheme contributions *RMB'000*	Equity-settled share-based compensation expenses *RMB'000*	Total remuneration *RMB'000*
Executive directors:						
Mr. Yan ZHOU*	–	1,727	210	140	–	2,077
Mr. Wen GUAN (i)	–	1,654	225	133	11,795	13,807
Mr. Shaojun JIA	–	1,707	250	110	59,312	61,379
	–	5,088	685	383	71,107	77,263
Non-executive directors:						
Mr. Jie ZHOU	–	–	–	–	–	–
Mr. Xin ZHOU	–	–	–	–	–	–
Ms. Aijun WANG	–	–	–	–	–	–
Mr. Jichen ZHAO	–	–	–	–	–	–
	–	–	–	–	–	–
Supervisors:						
Mr. Lun MA	–	–	–	–	–	–
Mr. Jiashuai SONG	–	195	23	79	–	297
Mr. Tingfeng SONG (ii)	–	300	–	–	–	300
	–	495	23	79	–	597
	–	5,583	708	462	71,107	77,860

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8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

(b) Directors and supervisors (continued)

2021

	Fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Performance–related bonuses *RMB'000*	Pension scheme contributions *RMB'000*	Equity-settled share-based compensation expenses *RMB'000*	Total remuneration *RMB'000*
Directors:						
Mr. Yan ZHOU*	–	1,255	466	130	896,940	898,791
Mr. Shaojun JIA	–	838	300	93	–	1,231
Mr. Wen GUAN(i)	–	838	300	104	–	1,242
Mr. Jie ZHOU	–	85	–	11	–	96
Mr. Xin ZHOU	–	85	–	11	–	96
Ms. Aijun WANG	–	–	–	–	–	–
Mr. Jichen ZHAO	–	–	–	–	–	–
	–	3,101	1,066	349	896,940	901,456
Supervisors:						
Mr. Lun MA	–	–	–	–	–	–
Mr. Wen GUAN(i)	–	–	–	–	–	–
Mr. Jiashuai SONG	–	171	64	67	–	302
Mr. Tingfeng SONG(ii)	–	258	–	–	–	258
	–	429	64	67	–	560
	–	3,530	1,130	416	896,940	902,016

Notes:

(i) Mr. Wen GUAN has tendered his resignation as a supervisor and has been appointed as a director, with effect from 18 February 2021.

(ii) The Board announced that Mr. Tingfeng SONG has been appointed as a supervisor, with effect from 18 February 2021.

* Mr. Yan ZHOU, who acts as a director of the Company, is also the chief executive officer of the Company.

On 9 June 2021, Mr. Yan ZHOU, Mr. Wen GUAN and Mr. Shaojun JIA were re-designated as executive directors and Mr. Jie ZHOU, Mr. Xin ZHOU, Mr. Jichen ZHAO and Ms. Aijun WANG were re-designated as non-executive directors.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

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9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2021: one director), details of whose remuneration are set out in note 8 above. Details of the remuneration for the remaining three (2021: four directors) highest paid employees who are neither directors, supervisors nor the chief executive of the Company are as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**3,614**	6,236
Performance-related bonuses	**2,035**	4,286
Equity-settled share-based compensation expenses	**28,382**	11,092
Pension scheme contributions	**480**	408
	34,511	22,022

The number of the highest paid employees (who are not directors, supervisors or chief executive of the Company) whose remuneration fell within the following bands is as follows:

	Year ended 31 December	
	2022	2021
Nil to HK$1,000,000	**–**	–
HK$3,000,001 to HK$3,500,000	**–**	1
HK$3,500,001 to HK$4,000,000	**–**	1
HK$5,000,001 to HK$5,500,000	**–**	1
HK$6,000,001 to HK$6,500,000	**–**	1
HK$8,500,001 to HK$9,000,000	**1**	–
HK$9,500,001 to HK$10,000,000	**1**	–
HK$10,500,001 to HK$11,000,000	**1**	–

During the year, restricted stock shares and share options were granted to three non-director, non-supervisor and non-chief executive highest paid employees in respect of their services to the Group. Further details are included in the disclosures in note 31 to the financial statements. The fair value of such restricted stock shares and share options, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

During the year ended 31 December 2022, no emoluments have been paid to the five highest individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office (2021: nil).

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10. INCOME TAX (CREDIT)/EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and the Implementation Regulation of the EIT Law, the EIT rate of the PRC subsidiaries is 25% unless they are subject to preferential tax as set out below.

– AIM Kanghuai Biopharmaceutical (Jiangsu) Co., Ltd. was renewed as a "High and New Technology Enterprise" on 12 October 2022, and therefore, AIM Kanghuai Biopharmaceutical (Jiangsu) Co., Ltd. was entitled to a preferential CIT rate of 15% (2021: 15%) for the year ended 31 December 2022. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

– AIM Honesty Biopharmaceutical Co., Ltd. was renewed as a "High and New Technology Enterprise" on 19 November 2021, and therefore, AIM Honesty Biopharmaceutical Co., Ltd. was entitled to a preferential CIT rate of 15% (2021: 15%) for the year ended 31 December 2022. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

– Ningbo Rong'an Biological Pharmaceutical Co., Ltd. was renewed as a "High and New Technology Enterprise" on 10 December 2021, and therefore, Ningbo Rong'an Biological Pharmaceutical Co., Ltd. was entitled to a preferential CIT rate of 15% (2021: 15%) for the year ended 31 December 2022. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

– AIM Weixin Biopharmaceutical (Zhejiang) Co., Ltd. was renewed as a "High and New Technology Enterprise" on 10 December 2021, and therefore, AIM Weixin Biopharmaceutical (Zhejiang) Co., Ltd. was entitled to a preferential CIT rate of 15% (2021: 15%) for the year ended 31 December 2022. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

– On 17 May 2022, Liverna Therapeutics Inc. was entitled to a preferential CIT rate of 15% effective for annual periods beginning on 1 January 2021.

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Current income tax	**17,835**	79,797
Deferred (note 28)	**(221,370)**	(10,627)
Income tax (credit)/expense for the year	**(203,535)**	69,170

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10. INCOME TAX (CREDIT)/EXPENSE (CONTINUED)

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Loss before tax	**(434,165)**	(606,703)
Tax at the statutory tax rate	**(108,541)**	(151,675)
Lower tax rate enacted by local authority	**13,140**	(33,659)
Effect on opening deferred tax of decrease in tax rate (i)	**(186,940)**	–
Adjustments in respect of current tax of previous periods	**(567)**	–
Additional deductible allowance for research and development expenses	**(71,291)**	(39,187)
Expenses not deductible for tax (ii)	**6,234**	229,079
Utilisation of losses in previous years	**(31)**	(7,659)
Temporary difference and tax losses not recognised	**144,461**	72,271
Income tax (credit)/expense at the Group's effective rate	**(203,535)**	69,170

(i) Liverna, a of subsidiary of the Group, was entitled to a preferential CIT rate of 15% effective for annual periods beginning on 1 January 2021 in accordance with Caishui [2022] No. 19 issued on 17 May 2022, which resulted in a decrease in deferred tax liability arising from the fair value adjustment for the acquisition of Liverna of approximately RMB186,940,000.

(ii) Expenses not deductible for tax mainly represent expenses that exceed the tax-deductible limitation such as entertainment, commission, expense without invoices and non-deductible share-based payment expenses. These expenses are not to be deductible for tax.

11. DIVIDENDS

The Board did not recommend the payment of any dividend during the year ended 31 December 2022 (2021: nil).

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12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,202,506,770 (2021: 1,162,556,106) in issue during the year, as adjusted to reflect the rights issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible bonds, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculation of basic and diluted earnings per share are based on:

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation	**(319,601)**	(692,774)

	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,202,506,770**	1,162,556,106

As the Group incurred losses for the years ended 31 December 2022 and 2021, the potential ordinary shares were not included in the calculation of diluted loss per share as the potential ordinary shares had an anti-dilutive effect on the basic loss per share.

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13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Equipment and others RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2022							
At 1 January 2022							
Cost	699,074	480,399	63,718	14,225	70,705	1,926,265	3,254,386
Accumulated depreciation	(230,213)	(216,948)	(28,076)	(9,394)	(29,347)	–	(513,978)
Impairment	(16,881)	(25,013)	(1,051)	–	–	(42,330)	(85,275)
Net carrying amount	451,980	238,438	34,591	4,831	41,358	1,883,935	2,655,133
At 1 January 2022, net of accumulated depreciation and impairment	451,980	238,438	34,591	4,831	41,358	1,883,935	2,655,133
Additions	–	27,034	6,239	1,312	5,310	728,536	768,431
Depreciation provided during the year	(36,998)	(39,905)	(10,617)	(1,530)	(15,607)	–	(104,657)
Transfers	124,199	46,770	4,176	–	31,765	(234,110)	(27,200)
Disposals	–	(450)	(411)	(17)	–	–	(878)
At 31 December 2022, net of accumulated depreciation and impairment	539,181	271,887	33,978	4,596	62,826	2,378,361	3,290,829
At 31 December 2022							
Cost	823,272	551,802	72,691	15,204	107,779	2,420,691	3,991,439
Accumulated depreciation	(267,210)	(255,057)	(37,665)	(10,608)	(44,953)	–	(615,493)
Impairment	(16,881)	(24,858)	(1,048)	–	–	(42,330)	(85,117)
Net carrying amount	539,181	271,887	33,978	4,596	62,826	2,378,361	3,290,829

Notes to Financial Statements

31 December 2022

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings *RMB'000*	Plant and machinery *RMB'000*	Equipment and others *RMB'000*	Motor vehicles *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2021							
At 1 January 2021							
Cost	550,899	413,347	38,821	11,949	63,598	753,898	1,832,512
Accumulated depreciation	(195,918)	(183,314)	(21,767)	(8,334)	(18,835)	–	(428,168)
Impairment	(16,881)	(25,208)	(1,051)	–	–	(42,330)	(85,470)
Net carrying amount	338,100	204,825	16,003	3,615	44,763	711,568	1,318,874
At 1 January 2021, net of accumulated depreciation and impairment	338,100	204,825	16,003	3,615	44,763	711,568	1,318,874
Additions	1,141	48,247	16,210	2,157	1,037	1,345,619	1,414,411
Acquisition of a subsidiary	–	6,689	209	–	1,732	879	9,509
Depreciation provided during the year	(34,324)	(33,931)	(7,498)	(1,166)	(10,511)	–	(87,430)
Transfers	147,093	12,713	9,746	242	4,337	(174,131)	–
Disposals	(30)	(105)	(79)	(17)	–	–	(231)
At 31 December 2021, net of accumulated depreciation and impairment	451,980	238,438	34,591	4,831	41,358	1,883,935	2,655,133
At 31 December 2021							
Cost	699,074	480,399	63,718	14,225	70,705	1,926,265	3,254,386
Accumulated depreciation	(230,213)	(216,948)	(28,076)	(9,394)	(29,347)	–	(513,978)
Impairment	(16,881)	(25,013)	(1,051)	–	–	(42,330)	(85,275)
Net carrying amount	451,980	238,438	34,591	4,831	41,358	1,883,935	2,655,133

At 31 December 2022, certain of the Group's buildings with a net carrying amount of approximately RMB286,515,000 (2021: RMB160,502,000) were pledged to secure certain interest-bearing bank borrowings of the Group (note 27).

At 31 December 2022, certain of the Group's buildings with a net carrying amount of approximately RMB86,307,000 (2021: RMB6,771,000), do not have building ownership certificates.

Notes to Financial Statements

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14. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group as a lessee

The Group has lease contracts for various items of buildings, leasehold land, motor vehicles and other equipment used in its operations. Leases of buildings generally have lease terms between 3 years and 8 years, while leasehold land and motor vehicles generally have lease terms of 5 years. Other equipment generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Buildings *RMB'000*	**Motor vehicles** *RMB'000*	**Leasehold land** *RMB'000*	**Total** *RMB'000*
As at 1 January 2021	59,295	486	148,781	208,562
Acquisition of a subsidiary	3,104	–	–	3,104
Additions	–	–	16,122	16,122
Revision of a lease term arising from a change in the term of a lease	10,861	–	–	10,861
Revision of a lease payment arising from a change in the payment of a lease	–	(111)	–	(111)
Depreciation charge	(17,507)	(104)	(5,460)	(23,071)
As at 31 December 2021 and 1 January 2022	**55,753**	**271**	**159,443**	**215,467**
Additions	**8,498**	**300**	**–**	**8,798**
Depreciation charge	**(18,928)**	**(103)**	**(7,971)**	**(27,002)**
As at 31 December 2022	**45,323**	**468**	**151,472**	**197,263**

At 31 December 2022, certain plots of the leasehold land with a net carrying amount of approximately RMB61,089,000 (2021: RMB56,022,000) were pledged to secure certain interest-bearing bank borrowings of the Group (note 27).

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14. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	Year ended 31 December	
	2022 **RMB'000**	2021 RMB'000
Carrying amount at the beginning of the year	**58,733**	61,312
New leases	**8,498**	–
Revision of a lease term arising from a change in the term of a lease	**–**	10,861
Additions as a result of acquisition of a subsidiary	**–**	3,209
Revision of a lease term payment arising from a change in the payment of a lease	**–**	(111)
Accretion of interest recognised during the year	**2,349**	2,376
Payments	**(21,048)**	(18,914)
Carrying amount at the end of the year	**48,532**	58,733
Analysed into:		
Current portion	**19,342**	16,904
Non-current portion	**29,190**	41,829

The maturity analysis of lease liabilities is disclosed in note 41 to the financial statements.

14. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

The Group as a lessee (continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Interest on lease liabilities	**2,349**	2,376
Depreciation charge of right-of-use assets	**27,002**	23,071
Expense relating to short term leases	**2,822**	2,879
Expense relating to leases of low-value assets	**46**	2
Total amount recognised in profit or loss	**32,219**	28,328

(d) The total cash outflow for leases is disclosed in note 34 to the financial statements.

(e) Included in the lease liabilities, an amount of RMB20,275,000 as at 31 December 2022 (2021: RMB29,390,000), was due to related parties. Details were disclosed in note 38(b) to the financial statements.

The Group as a lessor

The Group leases its properties consisting of one industrial property under operating lease arrangements. Rental income recognised by the Group during the year was RMB100,000 (2021: RMB120,000).

At 31 December 2022, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Within 1 year	**–**	225
After 1 year but within 2 years	**–**	45
	–	270

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15. GOODWILL

	Rong'an Bio RMB'000	AIM Honesty RMB'000	AIM Kanghuai RMB'000	Liverna RMB'000	Total RMB'000
At 1 January 2021:					
Cost	82,647	298,238	111,932	–	492,817
Accumulated impairment	–	(150,474)	(107,771)	–	(258,245)
Net carrying amount	82,647	147,764	4,161	–	234,572
Cost at 1 January 2021, net of accumulated impairment	82,647	147,764	4,161	–	234,572
Acquisition of a subsidiary	–	–	–	248,325	248,325
Impairment during the year	–	–	–	–	–
At 31 December 2021	82,647	147,764	4,161	248,325	482,897
At 31 December 2021:					
Cost	**82,647**	**298,238**	**111,932**	**248,325**	**741,142**
Accumulated impairment	**–**	**(150,474)**	**(107,771)**	**–**	**(258,245)**
Net carrying amount	**82,647**	**147,764**	**4,161**	**248,325**	**482,897**
Cost at 1 January 2022, net of accumulated impairment	**82,647**	**147,764**	**4,161**	**248,325**	**482,897**
Impairment during the year	**–**	**–**	**–**	**–**	**–**
At 31 December 2022	**82,647**	**147,764**	**4,161**	**248,325**	**482,897**
At 31 December 2022:					
Cost	**82,647**	**298,238**	**111,932**	**248,325**	**741,142**
Accumulated impairment	**–**	**(150,474)**	**(107,771)**	**–**	**(258,245)**
Net carrying amount	**82,647**	**147,764**	**4,161**	**248,325**	**482,897**

15. GOODWILL (CONTINUED)

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

- Rong'an Bio cash-generating unit;
- AIM Honesty cash-generating unit;
- AIM Kanghuai cash-generating unit; and
- Liverna cash-generating unit

Rong'an Bio cash-generating unit

The recoverable amount of the Rong'an Bio cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 13.65% (2021: 13.78%). The growth rate used to extrapolate the cash flows beyond the five-year period is 2% (2021: 3%). Management of the Rong'an Bio unit believes that this growth rate is justified, and it was the same as the long-term average growth rate of the vaccine industry.

AIM Honesty cash-generating unit

The recoverable amount of the AIM Honesty cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 14.30% (2021: 13.81%). The growth rate used to extrapolate the cash flows beyond the five-year period is 2% (2021: 3%). Management of the AIM Honesty unit believes that this growth rate is justified, and it was the same as the long-term average growth rate of the vaccine industry.

AIM Kanghuai cash-generating unit

The recoverable amount of the AIM Kanghuai cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering an eight-year period approved by senior management. Senior management considers that using an eight-year forecast period for the financial budget in the impairment testing of goodwill is appropriate because the useful life of AIM Kanghuai's relevant intellectual property is no less than eight years, and it generally takes longer for a vaccine company to reach perpetual growth mode, compared to companies in other industries, especially when its products are still under clinical trials and the markets of such products are at an early stage of development with substantial growth potential. Hence, the financial budget covering an eight-year period was used as Senior management of the Group believes that a forecasted period longer than five years is feasible and reflects a more accurate entity value. The discount rate applied to the cash flow projections is 12.90% (2021: 14.17%). The growth rate used to extrapolate the cash flows beyond the eight-year period is 2% (2021: 3%). Management of the AIM Kanghuai unit believes that this growth rate is justified, and it was the same as the long-term average growth rate of the vaccine industry.

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15. GOODWILL (CONTINUED)

Impairment testing of goodwill (continued)

Liverna cash-generating unit

The recoverable amount of the Liverna cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a twelve-year period approved by senior management. Senior management considers that using a twelve-year forecast period for the financial budget in the impairment testing of goodwill is appropriate because the useful lives of Liverna's relevant intellectual properties range from eight years to twenty years, and it generally takes longer for a vaccine company to reach perpetual growth mode, compared to companies in other industries, especially when its products are still under clinical trials and the markets of such products are at an early stage of development with substantial growth potential. Hence, the financial budget covering a twelve-year period was used as Senior management of the Group believes that a forecasted period longer than five years is feasible and reflects a more accurate entity value. The discount rate applied to the cash flow projections is 14.86% (2021: 17.22%). The growth rate used to extrapolate the cash flows beyond the twelve-year period is 2% (2021: 3%). Management of the Liverna unit believes that this growth rate is justified, and it was the same as the long-term average growth rate of the vaccine industry.

Assumptions were used in the value-in-use calculation of the above cash-generating units for the years end 31 December 2022 and 2021. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

The values assigned to the key assumptions on market development and discount rates are consistent with external information sources.

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16. OTHER INTANGIBLE ASSETS

	Deferred development costs *RMB'000*	Patents and proprietary know-how *RMB'000*	Brands *RMB'000*	Software *RMB'000*	Others *RMB'000*	Total *RMB'000*
31 December 2022						
Cost at 1 January 2022, net of accumulated amortisation	**1,880,965**	**294,982**	**14,288**	**2,458**	**–**	**2,192,693**
Additions	**53,300**	**–**	**–**	**285**	**–**	**53,585**
Transfer	**–**	**–**	**–**	**27,000**	**–**	**27,000**
Amortisation provided during the year	**(1,706)**	**(30,450)**	**(1,298)**	**(1,328)**	**–**	**(34,782)**
At 31 December 2022	**1,932,559**	**264,532**	**12,990**	**28,415**	**–**	**2,238,496**
At 31 December 2022						
Cost	**1,939,759**	**511,517**	**23,220**	**33,418**	**3,117**	**2,511,031**
Accumulated amortisation	**(7,200)**	**(246,985)**	**(10,230)**	**(5,003)**	**(3,117)**	**(272,535)**
Net carrying amount	**1,932,559**	**264,532**	**12,990**	**28,415**	**–**	**2,238,496**
31 December 2021						
At 1 January 2021:						
Cost	17,059	511,517	23,220	5,906	3,117	560,819
Accumulated amortisation	(3,788)	(186,099)	(7,634)	(3,325)	(3,117)	(203,963)
Net carrying amount	13,271	325,418	15,586	2,581	–	356,856
Cost at 1 January 2021, net of accumulated amortisation	13,271	325,418	15,586	2,581	–	356,856
Additions	–	–	–	225	–	225
Acquisition of a subsidiary	1,869,400	–	–	2	–	1,869,402
Amortisation provided during the year	(1,706)	(30,436)	(1,298)	(350)	–	(33,790)
At 31 December 2021	1,880,965	294,982	14,288	2,458	–	2,192,693
At 31 December 2021						
Cost	1,886,459	511,517	23,220	6,133	3,117	2,430,446
Accumulated amortisation	(5,494)	(216,535)	(8,932)	(3,675)	(3,117)	(237,753)
Net carrying amount	1,880,965	294,982	14,288	2,458	–	2,192,693

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16. OTHER INTANGIBLE ASSETS (CONTINUED)

Impairment testing of the acquired deferred development costs

Included in the deferred development costs, a balance of RMB1,869,400,000 as at 31 December 2022 was acquired deferred development costs as a result of the acquisition of Liverna in May 2021, which were not yet available for use but subject to mandatory impairment testing on an annual basis. The recoverable amount is determined based on the higher of fair value less cost to sell and value in use.

The fair value of the acquired deferred development costs not yet available for use was determined using the multi-period excess earnings method, taking into account the nature of the assets, using cash flow projections and the contributory asset charges. Cash flow projection is estimated by management based on the financial budget covering the expected life of the respective vaccine products, ranging from 8 to 20 years. Senior management considers that using an 8 to 20-year forecast period for the financial budget in the impairment testing of the deferred development costs is appropriate because it generally takes longer for a vaccine company to reach a stable growth mode, compared to companies in other industries, especially when its products are still under clinical trials and the markets of such products are at an early stage of development with substantial growth potential.

Key assumptions used in the calculation are as follows:

	2022	2021
Discount rate	**15.90%**	15.45%
Contributory asset charges	**1.66%-3.53%**	1.38%-5.11%

Based on the result of impairment test, the recoverable amount of acquired deferred development costs not yet available for use is estimated to exceed the carrying amount as at 31 December 2022.

Notes to Financial Statements

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16. OTHER INTANGIBLE ASSETS (CONTINUED)

Impairment testing of the capitalised deferred development costs

Included in the deferred development costs, a balance of RMB53,300,000 as at 31 December 2022 was capitalised deferred development costs, which were not yet available for use but subject to mandatory impairment testing on an annual basis. The recoverable amount is determined based on the higher of fair value less cost to sell and value in use.

The fair value of the capitalised deferred development costs not yet available for use was determined using the multi-period excess earnings method, taking into account the nature of the assets, using cash flow projections and the contributory asset charges.

Key assumptions used in the calculation are as follows:

	2022
Discount rate	**14.55%**
Contributory asset charges	**2.20%-28.30%**

Based on the result of impairment test, the recoverable amount of capitalised deferred development costs not yet available for use is estimated to exceed the carrying amount as at 31 December 2022.

17. PREPAYMENTS FOR EQUIPMENT

	As at 31 December	
	2022 *RMB'000*	2021 *RMB'000*
Prepayments for equipment	**114,448**	149,565

18. OTHER NON-CURRENT ASSETS

	As at 31 December	
	2022 *RMB'000*	2021 *RMB'000*
Value-added tax recoverable	**14**	11,448
Rental deposits	**2,582**	2,582
Others	**554**	3,884
	3,150	17,914

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19. INVENTORIES

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Raw materials	**127,505**	114,360
Work in progress	**111,182**	86,862
Finished goods	**266,051**	166,175
	504,738	367,397

20. TRADE RECEIVABLES

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**1,105,999**	1,089,903
Impairment	**(53,405)**	(26,250)
	1,052,594	1,063,653

The Group's trading terms with its customers are mainly on credit. The credit period is generally from two to six months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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20. TRADE RECEIVABLES (CONTINUED)

An ageing analysis of the Group's trade receivables, based on the invoice date and net of loss allowance, as at the end of the reporting period is as follows:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Within 1 year	**834,945**	945,047
1-2 years	**189,514**	110,085
2-3 years	**24,998**	6,145
3-4 years	**2,796**	1,893
4-5 years	**341**	483
Over 5 years	**–**	–
	1,052,594	1,063,653

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
At beginning of year	**26,250**	18,471
Impairment losses, net	**27,215**	7,984
Amount written off as uncollectible	**(60)**	(205)
At end of year	**53,405**	26,250

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on ageing analysis of customers that have similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off according to management approval.

Notes to Financial Statements

31 December 2022

20. TRADE RECEIVABLES (CONTINUED)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2022

	Expected credit loss rate (%)	Gross carrying amount *RMB'000*	Expected credit losses *RMB'000*	Net carrying amount *RMB'000*
Provision on an individual basis	**100.00**	**3,430**	**3,430**	**–**
Provision on a collective basis				
Aged less than 1 year	**1.13**	**844,511**	**9,566**	**834,945**
Aged 1 to 2 years	**7.98**	**205,948**	**16,434**	**189,514**
Aged 2 to 3 years	**31.89**	**36,702**	**11,704**	**24,998**
Aged 3 to 4 years	**53.37**	**5,996**	**3,200**	**2,796**
Aged 4 to 5 years	**86.84**	**2,589**	**2,248**	**341**
Aged over 5 years	**100.00**	**6,823**	**6,823**	**–**
		1,105,999	**53,405**	**1,052,594**

As at 31 December 2021

	Expected credit loss rate (%)	Gross carrying amount *RMB'000*	Expected credit losses *RMB'000*	Net carrying amount *RMB'000*
Provision on an individual basis	100.00	3,430	3,430	–
Provision on a collective basis				
Aged less than 1 year	0.54	950,191	5,144	945,047
Aged 1 to 2 years	5.65	116,678	6,593	110,085
Aged 2 to 3 years	24.38	8,126	1,981	6,145
Aged 3 to 4 years	54.65	4,174	2,281	1,893
Aged 4 to 5 years	86.15	3,488	3,005	483
Aged over 5 years	100.00	3,816	3,816	–
		1,089,903	26,250	1,063,653

Notes to Financial Statements

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21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Prepayments	**48,902**	17,510
Deposits for acquisition (i)	**81,751**	81,751
Deposits receivable	**15,976**	11,545
Receivables of land payments	**5,375**	5,375
Prepaid listing expenses	**–**	31,948
Wealth investment product at amortized cost (ii)	**21,092**	–
Other receivables	**12,115**	11,988
	185,211	160,117
Impairment allowance	**(11,545)**	(11,545)
	173,666	148,572

(i) Deposits for acquisition of RMB81,751,000 (2021: RMB81,751,000) as of 31 December 2022 represented deposit balance in Renminbi paid to a previous offshore shareholder of AIM Weixin for the acquisition of AIM Weixin. The consideration for this acquisition payable in U.S. dollars has not been paid and was recorded in payable for acquisition included in other payables and accruals, amounting to RMB94,556,000 (2021: RMB86,560,000) as of 31 December 2022, as there is no legally enforceable right to set off the respective receivable and payable balances. Management of the Company considers there is no recoverability issue for this deposits as the Company is in the process of proceeding with the final settlement and the deposit balance will be collected upon the settlement of the payables.

(ii) As at 31 December 2022, wealth investment product at amortized cost are USD money market fund products with a fixed rate of 2.5% per annum. The USD money market fund products have no fixed maturity and are redeemable on demand at the principal and interest. The Company fully redeemed on 15 March 2023.

Impairment of other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, 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 losses.

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21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

Reconciliation of allowance for receivables of land payments and other receivables is as follows:

As at 31 December 2022

	12-month ECLs		Lifetime ECLs		
		Stage 2	Stage 2		
		Individual	Collective		
	Stage 1	basis	basis	Stage 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	10	–	–	11,535	11,545
Impairment losses, net	–	–	–	–	–
Additions as a result of acquisition of a subsidiary	–	–	–	–	–
	10	–	–	11,535	11,545

As at 31 December 2021

	12-month ECLs		Lifetime ECLs		
		Stage 2	Stage 2		
	Stage 1	Individual basis	Collective basis	Stage 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	–	–	–	11,535	11,535
Impairment losses, net	(3)	–	–	–	(3)
Additions as a result of acquisition of a subsidiary	13	–	–	–	13
	10	–	–	11,535	11,545

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22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Wealth investment product at fair value	**–**	100,000

The wealth investment product at fair value as of 31 December 2021 which has fixed terms was due on 1 April 2022.

23. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Cash and bank balances	**612,102**	612,792
Time deposits	**196,889**	56,270
	808,991	669,062
Less:		
Pledged time deposit for performance bond	**1,679**	13,365
Pledged time deposit for project deposit	**9,094**	8,955
Restricted bank deposit	**400**	–
Non-pledged time deposits with original maturity of more than three months when acquired	**162,643**	–
Cash and cash equivalents	**635,175**	646,742

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods between one day and three months, depending on the immediate cash requirements of the Group. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

Notes to Financial Statements

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24. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Within 1 year	**72,499**	50,287
1 to 2 years	**91**	742
2 to 3 years	**450**	50
Over 3 years	**543**	683
	73,583	51,762

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 90 days.

25. OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Promotion fee payable	**354,177**	320,218
Payable for acquisition	**94,556**	86,560
Payable for purchase of property, plant and equipment	**319,022**	316,160
Deposits payable	**76,726**	77,980
Salary payables	**64,022**	88,268
Other tax payables	**15,510**	20,611
Freight payable	**76,031**	68,510
Payable for research and development costs	**54,589**	8,311
Others	**18,349**	16,766
	1,072,982	1,003,384

Other payables are unsecured, non-interest-bearing and repayable on demand. The fair values of other payables at the end of each of year approximated to their corresponding carrying amounts.

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26. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	As at 31 December	
	2022 **RMB'000**	2021 RMB'000
Advances received from customers:		
Sale of vaccine	**57,197**	41,074
Current portion	**57,197**	41,074

Contract liabilities include advances received to deliver vaccine products. The changes in contract liabilities during the year were mainly due to the changes in advances received from customers in relation to the sale of vaccine products.

27. INTEREST-BEARING BANK BORROWINGS

	As at 31 December 2022			As at 31 December 2021		
	Effective interest rate (%)	**Maturity**	***RMB'000***	Effective interest rate (%)	Maturity	*RMB'000*
Current						
Bank loans – secured	**3.6-4.2**	**2023**	**176,260**	1.85-4.50	2022	192,346
Bank loans – secured (a)	**5.22**	**on demand**	**232,660**	5.22	On demand	29,835
Bank loans – unsecured	**3.85-4.70**	**2023**	**557,690**	3.85-4.70	2022	175,205
Current portion of long-term bank loans – secured	**3.85-4.65**	**2023**	**44,083**	4.65	2022	9,978
			1,010,693			407,364
Non-current						
Bank loans – secured	**3.85-4.65**	**2024-2028**	**339,442**	4.65	2023-2028	184,334
			1,350,135			591,698

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27. INTEREST-BEARING BANK BORROWINGS (CONTINUED)

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**1,010,693**	407,364
In the second year	**49,918**	19,403
In the third to fifth years, inclusive	**239,606**	97,018
Beyond five years	**49,918**	67,913
	1,350,135	591,698

Certain of the Group's bank loans are secured by:

(i) mortgages over the Group's buildings, which had a net carrying value at the end of the reporting period of approximately RMB286,515,000 (2021: RMB160,502,000);

(ii) mortgages over the Group's leasehold land, which had a net carrying value at the end of the reporting period of approximately RMB61,089,000 (2021: RMB56,022,000); and

(iii) the guarantee from the Company and a subsidiary of the Group.

(a) Certain of the bank loans are subject to the fulfilment of covenants based on the borrowing subsidiaries' statement of financial position, as it is commonly found in lending arrangements with financial institutions. If the entities were to breach the covenants, the bank loans would become repayable on demand. These borrowings were classified as current liabilities even though the directors of the Company do not expect that the lenders would exercise their rights to demand immediate repayment. The directors of the Company regularly monitor its compliance with these covenants and do not consider it probable that the lenders will exercise their discretion to demand immediate repayment so long as the Group continues to make payments according to the schedule of the loans. Further details of the Group's management of liquidity risk are set out in note 41 to the financial statements.

Notes to Financial Statements

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28. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax assets

	Loss available for offsetting against future taxable profits *RMB'000*	Lease liabilities *RMB'000*	Impairment of inventories and financial assets *RMB'000*	Accruals *RMB'000*	Share-based compensation *RMB'000*	Others *RMB'000*	Total *RMB'000*
At 1 January 2021	3,843	15,066	15,438	4,883	–	1,814	41,044
Deferred tax (charged)/credited to profit or loss during the year (note 10)	(33)	2,027	(1,049)	4,964	1,583	1,006	8,498
Credited to the reserve during the year	–	–	–	–	441	–	441
Acquisition of a subsidiary	–	760	–	–	–	–	760
Gross deferred tax assets at 31 December 2021	3,810	17,853	14,389	9,847	2,024	2,820	50,743
At 1 January 2022	**3,810**	**17,853**	**14,389**	**9,847**	**2,024**	**2,820**	**50,743**
Deferred tax credited/(charged) to profit or loss during the year (note 10)	**13,553**	**(4,151)**	**3,682**	**4,311**	**3,447**	**6,490**	**27,332**
Credited to the reserve during the year	**–**	**–**	**–**	**–**	**1,447**	**–**	**1,447**
Gross deferred tax assets at 31 December 2022	**17,363**	**13,702**	**18,071**	**14,158**	**6,918**	**9,310**	**79,522**

Notes to Financial Statements

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28. DEFERRED TAX (CONTINUED)

The movements in deferred tax liabilities and assets during the year are as follows: (continued)

Deferred tax liabilities

	Fair value adjustment arising from acquisition of subsidiaries *RMB'000*	Right-of-use asset *RMB'000*	Depreciation *RMB'000*	Unrealised internal losses *RMB'000*	Total *RMB'000*
At 1 January 2021	61,538	14,946	106	–	76,590
Deferred tax (credited)/charged to profit or loss during the year (note 10)	(4,204)	2,147	(72)	–	(2,129)
Acquisition of a subsidiary	467,350	760	–	–	468,110
Gross deferred tax liabilities at 31 December 2021	524,684	17,853	34	–	542,571
At 1 January 2022	**524,684**	**17,853**	**34**	**–**	**542,571**
Deferred tax (credited)/charged to profit or loss during the year (note 10)	**(191,182)**	**(4,097)**	**533**	**708**	**(194,038)**
Gross deferred tax assets at 31 December 2022	**333,502**	**13,756**	**567**	**708**	**348,533**

Notes to Financial Statements

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28. DEFERRED TAX (CONTINUED)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statements of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Reflected in the consolidated statements of financial position:		
– Deferred tax assets	**–**	–
– Deferred tax liabilities	**269,011**	491,828

Deferred tax assets have not been recognised in respect of the following items:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Tax losses	**1,097,464**	597,375
Deductible temporary differences	**435,631**	224,068
	1,533,095	821,443

The Group has tax losses arising in Mainland China of RMB500,089,000 for the year ended 31 December 2022 (2021: RMB293,966,000), that will expire in five to ten years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries and the Company that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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29. DEFERRED GOVERNMENT GRANTS

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
At the beginning of the year	**89,601**	55,460
Addition	**47,317**	38,035
Acquisition of a subsidiary	**–**	1,040
Amortisation during the year	**(4,661)**	(4,934)
At the end of the year	**132,257**	89,601
Current portion	**4,818**	4,571
Non-current portion	**127,439**	85,030

30. SHARE CAPITAL

	2022	2021
	RMB'000	*RMB'000*
Issued and fully paid:		
ordinary shares	**1,211,063**	1,200,000

A summary of movements in the Company's share capital is as follows:

	Numbers of ordinary shares	share capital *RMB'000*
As at 1 January 2021	1,109,999,999	1,110,000
Issuance of shares	90,000,000	90,000
At 31 December 2021 and 1 January 2022	1,199,999,999	1,200,000
Issuance of shares (a)	11,062,600	11,063
At 31 December 2022	1,211,062,599	1,211,063

Note: (a) In connection with the Company's Global Offering on the Stock Exchange, on 6 October 2022, 9,714,000 ordinary shares of RMB1.00 each were issued at a subscription price of HK$16.16 per share, and on 2 November 2022, 1,348,600 ordinary shares of RMB1.00 each were issued by partial exercise of the over-allotment option at a price of HK$16.16 per share. After deducting expenses related to issue of shares, the share capital and capital reserve of the Company increased by RMB11,063,000 and RMB148,975,000, respectively.

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31. SHARE-BASED PAYMENT

(a) Restricted share awards

According to the Company's shareholders' meeting held on 29 December 2017, all shareholders unanimously agreed that Shenyang Zhongrenxing Enterprise Management Center (Limited Partnership) (hereinafter referred to as "Shenyang Zhongrenxing"), a company owned by Mr. Yan ZHOU, subscribed 33,390,000 shares of the Company (equivalent to RMB33,390,000 paid-in capital before the conversion into a joint stock company) at a price of RMB6.98 per share.

On 26 December 2018, some employees of the Group (the "Grantees") signed a partnership agreement with Shenyang Zhongrenxing, pursuant to which these employees indirectly own 7,017,000 shares of the Company (equivalent to RMB7,017,000 paid-in capital before the conversion into a joint stock company) at a price of RMB6.98 per share through their share of the interest in Shenyang Zhongrenxing. The aggregate fair value of the shares granted amounted to approximately RMB87,713,000 (RMB12.50 per share), and the fair value is determined by the financing price from a third-party investor in May 2018.

On 13 July 2020, some employees of the Group (the "Grantees") signed a partnership agreement with Shenyang Zhongrenxing, pursuant to which these employees indirectly own 15,165,000 shares of the Company (equivalent to RMB15,165,000 paid-in capital before the conversion into a joint stock company) at a price of RMB6.98 per share through their share of the interest in Shenyang Zhongrenxing. The aggregate fair value of the shares granted amounted to approximately RMB197,145,000 (RMB13.00 per share), and the fair value is determined by the financing price from a third-party investor in May 2020.

On 7 December 2020, some employees of the Group (the "Grantees") signed a partnership agreement with Shenyang Zhongrenxing, pursuant to which these employees indirectly own 600,000 shares of the Company at a price of RMB6.98 per share through their share of the interest in Shenyang Zhongrenxing. The aggregate fair value of the shares granted amounted to approximately RMB11,148,000 (RMB18.58 per share), and the fair value is determined by the financing price from a third-party investor in November 2020.

According to the relevant agreements, the Grantees mentioned above shall provide services to the Group for 60 months from the respective grant dates, i.e. the date when the Grantees entered into the partnership agreements with Shenyang Zhongrenxing. If an employee ceases to be employed by the Company within this period, the awarded shares will be forfeited. Forfeited shares are purchased back by Mr. Yan ZHOU or his nominee at the price that the employees initially purchased.

On 16 February 2022, the Grantees signed a supplementary partnership agreement with Shenyang Zhongrenxing for a modification of the service period, according to which, the Grantees shall provide services to the Group from the respective grant dates, i.e. the date when the Grantees entered into the partnership agreements with Shenyang Zhongrenxing, to the listing date of the Company, instead of a 60-month service period.

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31. SHARE-BASED PAYMENT (CONTINUED)

(a) Restricted share awards (continued)

In April, May and July 2022, some employees of the Group (the "Grantees") signed a partnership agreement with Shenyang Zhongrenxing, pursuant to which these employees indirectly own 7,370,000 shares of the Company at a price of RMB6.98 per share through their share of the interest in Shenyang Zhongrenxing. The Grantees shall provide services to the Group from the respective grant dates to the listing date of the Company. The aggregate fair value of the shares granted amounted to approximately RMB175,406,000 (RMB23.8 per share), and the fair value is determined by an external valuer using the discounted cash flow model taking into account the terms and conditions upon which the restricted shares were granted.

The following restricted shares were outstanding under the above restricted share rewards during the year:

	As at 31 December	
	2022	2021
	'000	*'000*
At the beginning of the year	**22,070**	22,070
Granted during the year	**7,370**	–
Forfeited during the year	**(7,370)**	–
Vested during the year	**(22,070)**	–
At the end of the year	**–**	22,070

The weighted average remaining contractual lives for the outstanding restricted shares granted were nil at the end of the year (2021: 3.06 years).

The fair value of the restricted stock awards granted in 2022 was RMB175,406,000 (2021: nil). The Group recognised equity-settled share-based compensation expenses of RMB164,935,000 during the year ended 31 December 2022 (2021: RMB26,602,000), as the purchase price was lower than the fair value of the shares.

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31. SHARE-BASED PAYMENT (CONTINUED)

(b) Share option scheme

2020 Share Option Scheme

In 2020, the Company implemented a share option scheme to motivate and reward those who contribute to the operation of the Group. Eligible persons include senior management, core technical personnel and core business personnel of the Group. The plan became effective on 30 November 2020 and, unless otherwise cancelled or amended, will remain in force for 7 years from that date. Under the share option scheme, grantees are granted options which only vest if certain non-market performance conditions are met.

On 16 February 2022, the general meeting of shareholders of the Company approved a modification of the vesting conditions of the 2020 Share Option Scheme, which was beneficial to the employee.

A stock option does not give the holder the right to vote at the general meeting of shareholders.

The following share options were outstanding under the 2020 Share Option Scheme during the year:

31 December 2022

	Weighted average exercise price RMB per share ordinary shares	**Number of options** *'000*
At the beginning of the year	**6.98**	**7,649**
Modification during the year	**6.98**	**6,258**
Forfeited during the year	**6.98**	**(2,100)**
At the end of the year	**6.98**	**11,807**

31 December 2021

	Weighted average exercise price RMB per share ordinary shares	Number of options *'000*
At the beginning of the year	6.98	14,447
Forfeited during the year	6.98	(6,798)
At the end of the year	6.98	7,649

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31. SHARE-BASED PAYMENT (CONTINUED)

(b) Share option scheme (continued)

2020 Share Option Scheme (continued)

No share options were exercised during the year (2021: No share options were exercised).

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

31 December 2022

Number of options *'000*	**Exercise price RMB per share**	**Exercise period**
3,542	**6.98**	1 December 2022 to 30 November 2023
3,542	**6.98**	1 December 2023 to 30 November 2024
4,723	**6.98**	1 December 2024 to 30 November 2027
11,807		

31 December 2021

Number of options *'000*	Exercise price RMB per share	Exercise period
2,086	6.98	1 December 2022 to 30 November 2023
–	6.98	1 December 2023 to 30 November 2024
5,563	6.98	1 December 2024 to 30 November 2027
7,649		

The Group recognised share option expenses of RMB60,827,000 (2021: RMB28,586,000) during the year ended 31 December 2022.

At the end of the reporting period, the Company had 11,807,000 share options outstanding under the 2020 Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 11,807,000 additional ordinary shares of the Company and additional share capital of RMB11,807,000 and capital reserve of RMB70,606,000 (before issue expenses).

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31. SHARE-BASED PAYMENT (CONTINUED)

(b) Share option scheme (continued)

2020 Share Option Scheme (continued)

Subsequent to the end of the reporting period, until the date of approval of this report, a total of 250,000 share options were forfeited in respect of the resignation of two grantees.

At the date of approval of this report, the Company had 11,557,000 share options outstanding under the 2020 Share Option Scheme, which represented approximately 0.95% of the Company's shares in issue as at that date.

32. RESERVES

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity of the financial statements.

(i) Capital reserve

The capital reserve comprises the capital/share premium of the Company and the difference between the aggregate of the then net assets of the non-controlling interests acquired and the consideration paid by the Group.

(ii) Merger reserve

The merger reserve of the Group represents the difference between the aggregate of the then net assets of the subsidiary acquired and the consideration paid by the Group for the business combination under common control.

(iii) Statutory reserve

In accordance with the Company Law of the PRC, the Company in the PRC are required to allocate 10% of the statutory after-tax profits to the statutory reserve until the cumulative total of the reserve reaches 50% of the Company's registered capital. Subject to approval from the relevant PRC authorities, the statutory reserve may be used to offset any accumulated losses or increase the registered capital of the Company. The statutory reserve is not available for dividend distribution to shareholders of the PRC subsidiaries.

Notes to Financial Statements

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33. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

Liverna

	As at 31 December	
	2022	2021
Percentage of equity interest held by non-controlling interests	**49.8454%**	49.8454%

	Year ended 31 December *RMB'000*	Seven months from 31 May 2021 to 31 December 2021 *RMB'000*
Profit for the period allocated to non-controlling interests	**88,946**	17,350

	As at 31 December	
	2022 *RMB'000*	2021 *RMB'000*
Accumulated balances of non-controlling interests	**896,090**	807,144

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31 December 2022

33. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

Liverna

	Year ended 31 December 2022 *RMB'000*	Seven months from 31 May 2021 to 31 December 2021 *RMB'000*
Revenue	**18,903**	52,375
Total expenses	**159,542**	(17,570)
Profit for the period	**178,445**	34,805
Total comprehensive profit for the period	**178,445**	34,805
Net cash flows used in operating activities	**(27,156)**	(23,477)
Net cash flows used in investing activities	**(55,105)**	(10,435)
Net cash flows generated from financing activities	**8,564**	44,886
Net (decrease)/increase in cash and cash equivalents	**(73,697)**	10,974

	As at 31 December 2022 *RMB'000*	As at 31 December 2021 *RMB'000*
Current assets	**202,945**	204,467
Non-current assets	**1,899,496**	1,895,250
Current liabilities	**(23,945)**	(11,898)
Non-current liabilities	**(280,756)**	(468,524)

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34. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

– *Recognition of right-of-use assets and lease liabilities*

During the year, the Group had non-cash additions to right-of-use assets of RMB8,498,000 (2021: RMB10,861,000), and lease liabilities of RMB8,498,000 (2021: RMB10,861,000), in respect of lease arrangements for buildings and motor vehicles.

– *Non-cash transactions on interest-bearing bank borrowings*

The Group had non-cash additions to the interest-bearing bank borrowings of RMB18,720,000 for the year ended 31 December 2022 (2021: RMB109,240,000) in respect of financing through reverse factoring arrangements to pay the suppliers of the Group.

(b) Changes in liabilities arising from financing activities

Year ended 31 December 2022

	Bank loans *RMB'000*	**Lease liabilities** *RMB'000*
At 1 January 2022	**591,698**	**58,733**
Changes from financing cash flows	**825,613**	**(21,048)**
New leases	**–**	**8,498**
Interest expense (note 6)	**23,344**	**2,349**
Financing through reverse factoring arrangements	**(90,520)**	**–**
At 31 December 2022	**1,350,135**	**48,532**

Year ended 31 December 2021

	Bank loans *RMB'000*	Lease liabilities *RMB'000*
At 1 January 2021	173,725	61,312
Changes from financing cash flows	285,406	(18,914)
Additions as a result of acquisition of a subsidiary	15,000	3,209
Revision of a lease term payment arising from a change in the payment of a lease	–	(111)
Interest expense (note 6)	8,327	2,376
Financing through reverse factoring arrangements	109,240	–
Revision of a lease term arising from a change in the term of a lease	–	10,861
At 31 December 2021	591,698	58,733

Notes to Financial Statements

31 December 2022

34. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statements of cash flows is as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Within operating activities	**2,868**	2,881
Within investing activities	**300**	16,122
Within financing activities	**21,048**	18,914
	24,216	37,917

35. CONTINGENT LIABILITIES

As at 31 December 2022, the Group is subject to several legal claims, involving: (i) a dispute under a service contract with a contract sales organisation in the amount of approximately RMB12,539,000 and the Group has recorded liabilities amounting to RMB4,496,000 in relation to the mentioned contract sales organisation. On 29 July 2022, the first instance judgement of this legal claim was completed, and the Group was obliged to pay an amount of RMB4,483,000 to the contract sales organisation. On 24 August 2022, the contract sales organisation filed an appeal to the court against the judgment of the first instance. As at 31 December 2022, the second instance of this case had not yet been heard, The directors of the Company, based on the advice from the Group's internal legal counsel, are of the opinion that the second instance may likely maintain the original judgment according to the corresponding facts and legal basis. (ii) a dispute over subrogation rights of a creditor. On 3 December 2021, a subsidiary of the Group received a notice from an intermediate people's court in respect of a claim against the subsidiary of the Group in respect of subrogation rights of a creditor. The amount of claim was approximately RMB80,198,000. On 18 October 2022, the first instance judgement of this legal claim was completed, and the subsidiary of the Group was obliged to pay an amount of RMB28,697,000 with the interest charge at loan prime rate. The subsidiary of the Group filed an appeal to the court against the judgment of the first instance and in the opinion of the directors, based on legal advice, it is more likely that the second instance will revise the judgment and reject all claims of the creditor according to the corresponding facts and legal basis. As at 31 December 2022, the second instance was in process.

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36. PLEDGE OF ASSETS

Details of the Group's assets pledged for business operation are included in note 27 to the financial statements.

37. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Property, plant and equipment	**871,508**	1,235,474

38. RELATED PARTY TRANSACTIONS

(a) Name and relationship

Name of related party	Relationship with the Company
Mr. Yan ZHOU	Director and the single largest shareholder
Shanghai Tianxia Asset Management Co., Ltd. ("Shanghai Tianxia")	Company controlled by Mr. Yan ZHOU
Shenyang Green Sino Pharmaceutical Co., Ltd. (瀋陽格林賽諾藥業有限公司) ("Shenyang Green Sino")	Company controlled by Mr. Yan ZHOU
Zhuhai Hengqin Ruifan Technology Partnership (Limited Partnership) (珠海横琴瑞凡科技合夥企業(有限合夥))("Zhuhai Hengqin Ruifan")	Shareholder of the Company and shareholder of the significant subsidiary

Notes to Financial Statements

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38. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) The Group had the following material related party transactions during the year:

	Notes	Year ended 31 December **2022** ***RMB'000***	 2021 *RMB'000*
Rental expenses to related parties			
Mr. Yan ZHOU	*(i)*	**10,270**	9,759
Shanghai Tianxia	*(ii)*	**336**	336
Shenyang Green Sino	*(iii)*	**245**	221

Notes:

(i) The Group has entered into lease agreements in respect of buildings from Mr. Yan ZHOU. The rental fees under the lease were RMB10,270,000 (2021: RMB9,759,000) for the year ended 31 December 2022. The Group recognised right-of-use assets of RMB18,275,000 (2021: RMB27,412,000), and lease liabilities of RMB20,275,000 (2021: RMB29,390,000) as at 31 December 2022. The transactions were made according to the prices and terms agreed with the related parties.

(ii) The Group has entered into lease agreements in respect of motor vehicles from Shanghai Tianxia. The rental fees under the lease were RMB336,000 (2021: RMB336,000) for the year ended 31 December 2022. As the lease agreements were short-term leasing, the Group did not recognise right-of-use assets and lease liabilities. The transactions were made according to the prices and terms agreed with the related parties.

(iii) The Group has entered into lease agreements in respect of buildings from Shenyang Green Sino. The rental fees under the lease were RMB245,000 (2021: RMB221,000) for the year ended 31 December 2022. As the lease agreements were short-term leasing, the Group did not recognise right-of-use assets and lease liabilities. The transactions were made according to the prices and terms agreed with the related parties.

Notes to Financial Statements

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38. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Outstanding balances with related parties

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Non-trade related:		
Due from related parties		
Zhuhai Hengqin Ruifan	**–**	10,000

(d) Compensation of key management personnel of the Group:

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**12,943**	9,156
Performance-related bonuses	**3,461**	3,492
Equity-settled share-based compensation expenses	**87,621**	908,601
Pension scheme contributions	**1,084**	745
	105,109	921,994

Further details of directors' emoluments are included in note 8 to the financial statements.

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39. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

As at 31 December 2022

	Financial assets at amortised cost *RMB'000*
Trade receivables	**1,052,594**
Financial assets included in prepayments and other receivables (note 21)	**121,449**
Restricted cash	**11,173**
Time deposits	**162,643**
Cash and cash equivalents	**635,175**
	1,983,034

As at 31 December 2021

	Financial assets at fair value through profit or loss *RMB'000*	**Financial assets at amortised cost** *RMB'000*	**Total** *RMB'000*
Trade and bills receivables	–	1,063,653	1,063,653
Financial assets included in prepayments and other receivables (note 21)	–	95,043	95,043
Due from related parties	–	10,000	10,000
Financial assets at fair value through profit and loss	100,000	–	100,000
Restricted cash	–	22,320	22,320
Cash and cash equivalents	–	646,742	646,742
	100,000	1,837,758	1,937,758

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39. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

Financial liabilities

As at 31 December 2022

	Financial liabilities at amortised cost *RMB'000*
Financial liabilities included in other payables and accruals (note 25)	**993,450**
Trade payables	**73,583**
Interest-bearing bank borrowings	**1,350,135**
Lease liabilities	**48,532**
	2,465,700

As at 31 December 2021

	Financial liabilities at amortised cost *RMB'000*
Financial liabilities included in other payables and accruals (note 25)	894,505
Trade payables	51,762
Interest-bearing bank borrowings	591,698
Lease liabilities	58,733
	1,596,698

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39. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts As at 31 December		Fair values As at 31 December	
	2022 **RMB'000**	2021 *RMB'000*	**2022** **RMB'000**	2021 *RMB'000*
Financial assets				
Financial assets at fair value through profit or loss	–	100,000	–	100,000
Financial liability				
Interest-bearing bank borrowings	**1,350,135**	591,698	**1,331,076**	596,457

Management has assessed that the fair values of cash and cash equivalents, trade and bills receivables, financial assets included in prepayments, other receivables and other assets, financial assets at fair value through profit or loss and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank borrowings as at 31 December 2022 were assessed to be insignificant.

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40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Financial assets at fair value through profit or loss	–	100,000	–	100,000

The Group did not have any financial assets at fair value through profit or loss and financial liabilities measured at fair value as at 31 December 2022.

The Group did not have any financial liabilities measured at fair value as at 31 December 2022 (2021: nil).

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2021: nil).

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40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed:

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Interest-bearing bank borrowing	–	1,331,076	–	1,331,076

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Interest-bearing bank borrowing	–	596,457	–	596,457

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41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents and bank loans. The main purpose of these financial instruments is to support the Group's operations. The Group has various other financial assets and liabilities such as trade receivables which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. Generally, senior management of the Company meets regularly to analyse and formulate measures to manage the Group's exposure to these risks. In addition, the board of directors of the Company holds meetings regularly to analyse and approve the proposals made by senior management of the Company. Generally, the Group introduces conservative strategies on its risk management. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to its interest-bearing bank borrowings. The increase/decrease in 100 basis points of floating rates on the Group's interest-bearing bank borrowings will not have a significant impact on the Group's profit/(loss) before tax.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit/(loss) after tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/ (decrease) in basis points ***(RMB'000)***	**(Decrease)/ increase in profit/ (loss) after tax** ***(RMB'000)***	**(Decrease)/ increase in equity*** ***(RMB'000)***
Year ended 31 December 2022	**100/(100)**	**(387)/387**	**(387)/387**
Year ended 31 December 2021	100/(100)	(1,871)/1,871	(1,871)/1,871

* Excluding retained profits

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41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The Group trades only with recognised and creditworthy third parties, and there is no requirement for collateral. Concentrations of credit risk are managed by analysis by customer/counterparty.

Concentrations of credit risk are managed by analysis by customer. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different regions.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Simplified approach *RMB'000*	Total *RMB'000*
Trade receivables*	–	–	–	1,105,999	1,105,999
Financial assets included in prepayments, other receivables and other assets					
– Normal**	121,459	–	11,535	–	132,994
Restricted cash	11,173	–	–	–	11,173
Time deposits	162,643	–	–	–	162,643
Cash and cash equivalents	635,175	–	–	–	635,175
	930,450	–	11,535	1,105,999	2,047,984

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41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Maximum exposure and year-end staging (continued)

31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Simplified approach *RMB'000*	Total *RMB'000*
Trade receivables*	–	–	–	1,089,903	1,089,903
Financial assets included in prepayments, other receivables and other assets	95,053	–	11,535	–	106,588
– Normal**	10,000	–	–	–	10,000
Restricted cash	22,320	–	–	–	22,320
Cash and cash equivalents	646,742	–	–	–	646,742
	774,115	–	11,535	1,089,903	1,875,553

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 20 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables and deposits and other receivables are respectively disclosed in notes 20 and 21 to the financial statements.

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31 December 2022

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Group monitors its exposure to liquidity risk by monitoring the current ratio, which is calculated by comparing the current assets with the current liabilities.

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its committed future capital expenditure.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

As at 31 December 2022

	On demand *RMB'000*	Within 1 year *RMB'000*	1 to 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
Lease liabilities	–	21,020	30,974	–	51,994
Interest-bearing bank borrowings	232,660	902,518	328,811	50,369	1,514,358
Trade payables	35,216	38,367	–	–	73,583
Financial liabilities included in other payables and accruals	993,450	–	–	–	993,450
	1,261,326	961,905	359,785	50,369	2,633,385

As at 31 December 2022

	On demand *RMB'000*	Within 1 year *RMB'000*	1 to 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
Lease liabilities	–	18,977	44,370	–	63,347
Interest-bearing bank borrowings	29,835	393,915	141,574	70,233	635,557
Trade payables	27,492	24,270	–	–	51,762
Financial liabilities included in other payables and accruals	894,505	–	–	–	894,505
	951,832	437,162	185,944	70,233	1,645,171

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41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders, by pricing services commensurately with the level of risk.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 2021.

The Group monitors capital on the basis of the asset-liability ratio. This ratio is calculated as total liabilities divided by total assets.

	As at 31 December	
	2022 ***RMB'000***	2021 *RMB'000*
Total assets	**8,875,786**	8,072,353
Total liabilities	**3,014,879**	2,373,063
Asset-liability ratio	**34%**	29%

42. EVENTS AFTER THE REPORTING PERIOD

On March 8, 2023, the Board approved the resolutions for the Company's proposal to issue, under a specific mandate, not more than 242,212,519 Unlisted RMB Denominated Ordinary Shares to (a) no more than 35 qualified investors, which do not include any existing Shareholders, and (b) existing Shareholders (if any). As at the date of this approval, the Company has not applied to the CSRC or other relevant regulatory authorities in respect of this proposed issuance or entered into any subscription agreement. The details of the plan for this proposed issuance have not been finalized.

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43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
NON-CURRENT ASSETS		
Property, plant and equipment	**6,305**	7,440
Right-of-use assets	**37,242**	53,061
Other intangible assets	**1,183**	1,403
Prepayments for equipment	**62,157**	61,728
Investments in subsidiaries	**4,519,619**	4,444,023
Due from related parties	**481,484**	481,484
Other non-current assets	**1,602**	1,602
Total non-current assets	**5,109,592**	5,050,741
CURRENT ASSETS		
Prepayments, other receivables and other assets	**39,900**	34,638
Due from related parties	**1,014,750**	824,049
Cash and cash equivalents	**213,645**	163,285
Total current assets	**1,268,295**	1,021,972
CURRENT LIABILITIES		
Trade payables	**345,831**	299,064
Other payables and accruals	**110,520**	94,482
Tax payables	**5,235**	8,223
Lease liabilities	**13,431**	12,302
Total current liabilities	**475,017**	414,071
NET CURRENT ASSETS	**793,278**	607,901
TOTAL ASSETS LESS CURRENT LIABILITIES	**5,902,870**	5,658,642
NON-CURRENT LIABILITIES		
Lease liabilities	**12,876**	26,653
Total non-current liabilities	**12,876**	26,653
Net assets	**5,889,994**	5,631,989
EQUITY		
Share capital	**1,211,063**	1,200,000
Reserves (note)	**4,678,931**	4,431,989
Total equity	**5,889,994**	5,631,989

Notes to Financial Statements

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43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Capital reserve *RMB'000*	Merger reserve *RMB'000*	Share-based compensation reserves *RMB'000*	(Accumulated losses)/ retained profits *RMB'000*	Total *RMB'000*
At 1 January 2021	3,303,583	(68,015)	31,251	1,145	3,267,964
Loss for the year	–	–	–	(909,278)	(909,278)
Total comprehensive loss for the year	–	–	–	(909,278)	(909,278)
Issue of shares	1,121,175	–	–	–	1,121,175
Equity-settled share-based compensation	–	–	952,128	–	952,128
At 31 December 2021 and at 1 January 2022	**4,424,758**	**(68,015)**	**983,379**	**(908,133)**	**4,431,989**
Loss for the year	**–**	**–**	**–**	**(127,795)**	**(127,795)**
Total comprehensive loss for the year	**–**	**–**	**–**	**(127,795)**	**(127,795)**
Issue of shares	**150,952**	**–**	**–**	**–**	**150,952**
Share issue expenses	**(1,977)**	**–**	**–**	**–**	**(1,977)**
Equity-settled share-based compensation	**–**	**–**	**225,762**	**–**	**225,762**
At 31 December 2022	**4,573,733**	**(68,015)**	**1,209,141**	**(1,035,928)**	**4,678,931**

The share-based compensation reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to share capital when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2023.

Four-Year Financial Summary

CONSOLIDATED RESULTS

	Year ended 31 December			
	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Revenue	**1,264,073**	1,570,129	1,637,970	951,648
Gross profit	**1,027,659**	1,294,700	1,354,088	732,845
Loss before tax	**(434,165)**	(606,703)	485,886	156,761
Loss for the year	**(230,630)**	(675,873)	400,414	119,814
Total comprehensive loss for the year and attributable to owners of the parent and non-controlling interests	**(230,630)**	(675,873)	400,414	119,814

CONSOLIDATED ASSETS AND LIABILITIES

	Year ended 31 December			
	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Non-current assets	**6,327,083**	5,713,669	2,249,495	1,604,414
Current assets	**2,548,703**	2,358,684	2,438,458	1,346,308
Total assets	**8,875,786**	8,072,353	4,687,953	2,950,722
Non-current liabilities	**765,082**	803,021	135,359	141,629
Current liabilities	**2,249,797**	1,570,042	1,130,969	1,190,969
Total liabilities	**3,014,879**	2,373,063	1,266,328	1,332,598
Total equity	**5,860,907**	5,699,290	3,421,625	1,618,124

Definitions

"AIM Explorer"	AIM Explorer Biomedical R&D Co., Ltd. (艾美探索者生命科學研發有限公司), a company incorporated under the laws of PRC on September 10, 2018, a wholly-owned subsidiary of our Company;
"AIM Honesty"	AIM Honesty Biopharmaceutical Co., Ltd. (艾美誠信生物製藥有限公司), a company incorporated under the laws of PRC on September 20, 1993, a wholly-owned subsidiary of our Company;
"AIM Innovator"	AIM Innovator Biomedical Research (Shanghai) Co., Ltd. (艾美創新者生物醫藥研究(上海)有限公司), a company incorporated under the laws of PRC on May 17, 2021 and owned as to 90% by our Company and 10% by Chengdu Bole Action Biological Products Co., Ltd. (成都伯樂行動生物製品有限公司);
"AIM Kanghuai"	AIM Kanghuai Biopharmaceutical (Jiangsu) Co., Ltd. (艾美康淮生物製藥(江蘇)有限公司), a company incorporated under the laws of PRC on October 13, 2011, a wholly-owned subsidiary of our Company;
"AIM Weixin"	AIM Weixin Biopharmaceutical (Zhejiang) Co., Ltd. (艾美衛信生物藥業(浙江)有限公司), a company incorporated under the laws of PRC on December 24, 2002 and owned as to 94.25% by our Company and 5.75% by Beibi Road;
"Articles"	the articles of association of the Company;
"Audit Committee"	the audit committee of the Board of Directors;
"Beibi Road"	Shanghai Beibi Road Cultural Development Co., Ltd. (上海北壁之路文化發展有限公司), a company incorporated under the laws of PRC on March 28, 2017, a wholly-owned subsidiary of our Company;
"Board" or "Board of Directors"	the board of Directors of our Company;
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules;
"Chengdu Bole"	Chengdu Bole Action Biological Products Co., Ltd. (成都伯樂行動生物製品有限公司);
"China" or "the PRC"	the People's Republic of China, which for the purpose of this announcement only, references to "China" or "the PRC" exclude Taiwan, Macau Special Administration Region and Hong Kong;
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
"Company", "our Company", or "the Company"	AIM Vaccine Co., Ltd. (艾美疫苗股份有限公司), a joint stock company incorporated in the PRC with limited liability on November 9, 2011;
"Director(s)" or "our Director(s)"	the director(s) of our Company;

Definitions

"Group", "the Group", "our Group", "we" or "us"	our Company and its subsidiaries;
"H Share(s)"	overseas listed foreign share(s) in the issued share capital of the Company, with a nominal value of RMB1.00 each, listed on the Stock Exchange;
"HDC"	human diploid cell;
"HKEx"	Hong Kong Exchanges and Clearing Limited;
"HK$" or "Hong Kong dollars" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC;
"IFRSs"	the International Financial Reporting Standards;
"IPO"	the initial public offering and listing of the Company's shares on the Stock Exchange on October 6, 2022;
"Licensed Manufacturing Facility"	our manufacturing facility in each of Rong'an Bio, AIM Honesty, AIM Kanghuai and AIM Weixin, which have obtained valid production permits and passed GMP inspections, each a Licensed Manufacturing Facility, collectively Licensed Manufacturing Facilities;
"Listing"	the listing of our H Shares on the Main Board;
"Listing Date"	October 6, 2022, the date on which the H Shares of the Company were listed on the Stock Exchange;
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange, as amended and supplemented from time to time;
"Liverna"	Liverna Therapeutics Inc. (珠海麗凡達生物技術有限公司), a company incorporated under the laws of PRC on June 21, 2019 and owned as to 50.1546% by our Company. The other minority shareholders of Liverna are Independent Third Parties;
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange;
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules;
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部);
"NDA"	new drug application (藥品註冊證書申請);

Definitions

"NDA approval"	new drug application approval (藥品註冊證書批准);
"NMPA"	the National Medical Products Administration of the PRC (國家藥品監督管理局) and its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局);
"Original Strain"	the SARS-CoV-2 virus strain that caused the initial COVID-19 outbreak;
"PRC laws"	the Company Law of the People's Republic of China;
"Prospectus"	the Company's Prospectus dated September 23, 2022;
"Remuneration Committee"	the remuneration and appraisal committee of the Board of Directors;
"Reporting Period"	for the year ended December 31, 2022;
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC;
"Rong'an Bio"	Ningbo Rong'an Biological Pharmaceutical Co., Ltd. (寧波榮安生物藥業有限公司), a company incorporated under the laws of PRC on April 30, 2001 and owned as to 20% by our Company and 80% by AIM Weixin;
"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) in the issued share capital of our Company with a nominal value of RMB1.00 each;
"Shareholder(s)"	holder(s) of our Shares;
"Share Option(s)"	share options under the Pre-IPO ESOP;
"SPHCC"	Shanghai Public Health Clinical Center (上海市公共衛生臨床中心);
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"subsidiary(ies)"	has the meaning ascribed thereto in section 15 of the Companies Ordinance;
"Supervisor(s)"	supervisor(s) of our Company;
"Zhejiang Provincial CDC"	Zhejiang Provincial Centre for Disease Control and Prevention (浙江省疾病預防控制中心); and
"%"	percentage.

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.