Immunotech Biopharm Ltd

永泰生物製藥有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 6978

2022

ANNUAL REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr TAN Zheng *(Chairman)*
Dr WANG Yu *(CEO)*
Mr JUNG Hyun Chul *(resigned on 24 March 2023)*

Non-executive Directors

Mr SI Xiaobing
Mr LU Yuan *(resigned on 24 March 2023)*
Mr TAO Ran
Mr WANG Ruihua *(appointed on 24 March 2023)*
Mr YANG Fan *(appointed on 24 March 2023)*

Independent non-executive Directors

Professor WANG Yingdian
Mr NG Chi Kit
Ms PENG Sujiu

COMPANY SECRETARY

Mr YANG Ning

AUTHORISED REPRESENTATIVES

Mr TAN Zheng
Mr YANG Ning

AUDIT COMMITTEE

Mr NG Chi Kit *(Chairman)*
Mr TAO Ran
Professor WANG Yingdian

REMUNERATION COMMITTEE

Professor WANG Yingdian *(Chairman)*
Ms PENG Sujiu
Mr NG Chi Kit

NOMINATION COMMITTEE

Mr TAN Zheng *(Chairman)*
Ms PENG Sujiu
Professor WANG Yingdian

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors
35/F, One Pacific Place
88 Queensway
Hong Kong

LEGAL ADVISER

As to Hong Kong law
Eric Chow & Co. in Association with Commerce & Finance Law Offices
3401, Alexandra House
18 Chater Road, Central
Hong Kong

Corporate Information

PRINCIPAL BANKS

China Construction Bank, Beijing Branch, BDA Sub-Branch
Building 55
2 Jingyuan North Street
Beijing Economic-Technological Development Area ("**BDA**")
Beijing, the PRC

Bank of Communications, Hong Kong Branch
16/F, Lee Garden Five
18 Hysan Avenue
Causeway Bay
Hong Kong

China CITIC Bank, Beijing Branch, Xinxing Sub-Branch
Xinxing Hotel
17 Middle West Third Ring Road
Haidian District
Beijing, the PRC

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

8/F, Block 1
Guosheng Technology Park
1 Kangding Street
BDA
Beijing, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower Two, Times Square
1 Matheson Street
Causeway Bay
Hong Kong

REGISTERED OFFICE

P.O. Box 309
Ugland House
Grand Cayman KY1-1104
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
P.O. Box 1093, Boundary Hall
Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

HONG KONG SHARE REGISTRAR

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

STOCK CODE

6978

COMPANY'S WEBSITE

www.eaal.net

DATE OF LISTING

10 July 2020

Corporate Profile

OVERVIEW

The Company is a leading cellular immunotherapy biopharmaceutical company in China focusing on the research, development, and commercialisation of T cell immunotherapy for over 16 years. EAL® – its Core Product Candidate – is a multi-target cellular immunotherapy product with more than a decade of track record of clinical application, and has shown efficacy in the treatment of various types of cancer. EAL®-related research began in 2006, and the Company has improved upon the cell culture system and methods, and developed our proprietary, patented technology platform for the production of EAL® cells.

The Company selected the prevention of postsurgical recurrence of liver cancer as the clinical indication for the clinical trial of EAL®. It plans to submit the application for the commercialisation of EAL® in the PRC market after achieving statistically significant result for its clinical trials.

The product pipeline features major classes of cellular immunotherapy products, including both non-genetically-modified and genetically-modified products, as well as both multi-target and single-target products. Other than EAL®, the main product candidates include 6B11, the CAR-T cell series and the TCR-T cell series.

Composed of experienced cancer immunologists, the core technology team is equipped with industry foresight and sensitivity. The R&D organisational structure encompasses early research, pre-clinical studies, clinical studies, and commercialised production and management, allowing for rapid implementation of our product R&D efforts.

The Company has also established technology platforms necessary for the R&D of cellular immunotherapy products and in place an organisational and management platform for clinical trials.

Business and Financial Highlights

BUSINESS HIGHLIGHTS

Clinical trials

EAL®

EAL® is undergoing Phase II clinical trial with the post-surgical recurrence of liver cancer selected as the clinical indication. As at the date of this report, the Company has completed the enrollment of 430 targeted patients for the Phase II clinical trial. The Company is confident that it will submit a pre-NDA meeting application for the product to the NMPA in 2023 and hopefully market the product in 2024.

CAR-T cell product pipeline

CAR-T-19 Injection

The CAR-T-19 series forms the core of CAR-T cell product pipeline. The CAR-T-19 injection product candidate has shown efficacy in a clinical study, and the IND application for the product candidate with B-cell acute lymphoblastic leukaemia (B-ALL) as the clinical indication was accepted for processing by the CDE in August 2019. Following the IND approval, the Company has commenced Phase I clinical trial process for the CAR-T-19 Injection and presented the Phase I clinical trial protocol and proposed timetable in a kick-off conference meeting, which took place in Beijing on 25 February 2021. As at the date of this report, the Company has completed the enrollment of nine targeted patients for the Phase I clinical trial for CAR-T-19 Injection. It is expected that the targeted patient enrollment will complete and the preliminary analysis and results will be published in 2023.

Denocabtagene Ciloleucel Injection

Denocabtagene Ciloleucel Injection, originally known as RC19D2, CAR-T-19-D2 and CAR-T-19-DNR, targeting on immunosuppressive molecule TGF-ß, is an injection for the treatment of patients with relapsed and refractory diffuse large B-cell lymphoma (DLBCL). The injection has the goal of overcoming CAR-T cells pain points in terms of the lack of persistence, the lack of efficacy in the treatment of solid tumours, and in the prevention of tumour recurrence. As at the date of this report, the Company has obtained the clinical approval for Denocabtagene Ciloleucel Injection from the NMPA. Based on the current progress, the Company expects to conduct the clinical trial of Denocabtagene Ciloleucel Injection in 2023.

6B11-OCIK Injection

6B11-OCIK Injection is an injection of ovarian cancer autologous cytotoxic T Lymphocyte. 6B11 is the monoclonal anti-idiotypic antibody prepared by Beijing Weixiao with COC166-9 immunised mice with monoclonal antibody to mimic ovarian cancer-related antigen OC166-9.

The use of 6B11 can induce specific anti-ovarian cancer humoral and cellular immune antibodies in vitro, which can be cultured and proliferated in vitro (6B11-OCIK Injection) and infused back to the subject to achieve the purpose of specifically killing tumour cells.

As at the date of this report, the Company has completed the enrollment of six targeted patients for the Phase I clinical trial for 6B11-OCIK Injection. The Company intends to complete the enrollment of targeted patients and publish the preliminary analysis and results in 2023.

Business and Financial Highlights

TCR-T cell product pipeline

TCR-T cell therapy is an immunotherapy based on the reinfusion of tumour antigen-specific T cells. The Company used its established single-cell sequencing-based technology platform to obtain different HLA-restricted T cell receptor (TCR) coding sequences for specific antigens. Subsequently, the TCR genes are inserted into the self-constructed lentiviral vector for transduction into T cells, and then the killing effect on tumour cells is confirmed by an in vitro and in vivo model. The Company has a number of TCR-T cell product candidates under pre-clinical studies, with the relevant target antigens including the cancer-testis antigen or cancer-placental antigen such as NY-ESO-1, and antigens derived from viruses such as CMV, EBV and HPV. The Company has entered into the license agreement with T-Cure on 11 January 2021. The Company was granted the exclusive license in relation to TCR-based immunotherapy for renal cell carcinoma in HLA A-11 restricted human patients, it is believe that it will gain an advantage in treatment of renal cell carcinoma indication in the PRC.

Others

Formation of joint venture

On 2 June 2022, Beijing Yongtai entered into a joint venture agreement with Shanghai NKY, a wholly-owned subsidiary of NKY Medical. NKY Medical is a listed company on the Shenzhen Stock Exchange (stock code: 300109) and is the parent company of one of the Company's pre-IPO investors, NKY Medical Hongkong Limited. Pursuant to the terms of the joint venture agreement, Beijing Yongtai and Shanghai NKY agreed to set up a joint venture company in Shanghai for the purpose of accessing to the market of companion diagnostics for tumour treatment, targeting to provide products and services of companion diagnostics for tumour treatment.

FINANCIAL HIGHLIGHTS

Other income decreased by approximately RMB8.7 million or approximately 48.9% from approximately RMB17.8 million for the year ended 31 December 2021 to approximately RMB9.1 million for the year ended 31 December 2022.

Other gains and losses, net increased by approximately RMB12.8 million or approximately 54.5% from losses of approximately RMB23.5 million for the year ended 31 December 2021 to losses of approximately RMB36.3 million for year ended 31 December 2022.

Research and development expenses decreased by approximately RMB64.4 million or approximately 26.8% from approximately RMB240.6 million for the year ended 31 December 2021 to approximately RMB176.2 million for the year ended 31 December 2022.

Administrative expenses decreased by approximately RMB6.6 million or approximately 6.3% from approximately RMB104.3 million for the year ended 31 December 2021 to approximately RMB97.7 million for the year ended 31 December 2022.

Loss before tax decreased by approximately RMB33.5 million or approximately 9.4% from approximately RMB354.6 million for the year ended 31 December 2021 to approximately RMB321.1 million for the year ended 31 December 2022.

Loss and total comprehensive expense for the year decreased by approximately RMB33.5 million or approximately 9.4% from approximately RMB354.6 million for the year ended 31 December 2021 to approximately RMB321.1 million for the year ended 31 December 2022.

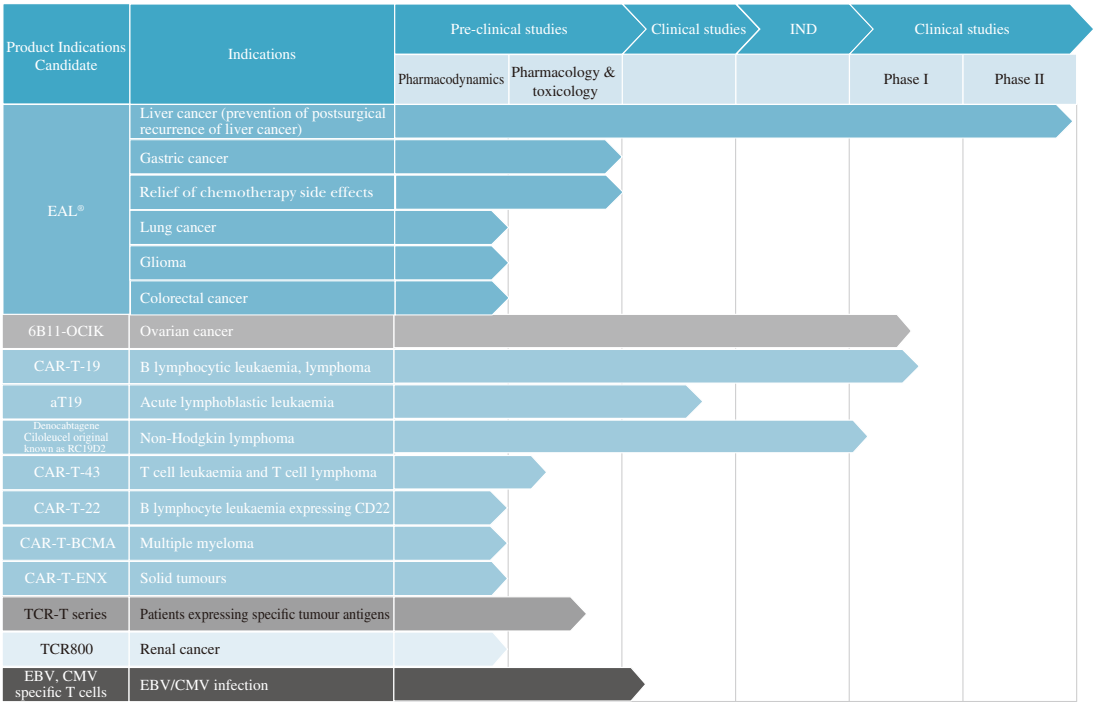
MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis

BUSINESS REVIEW

R&D of our product candidates

The following chart summarises our product candidates and their R&D status as at the date of this report:



Cautionary statement required by Rule 18A.08(3) of the Listing Rules: The Company may not be able to ultimately develop and market our product candidates (including Core Products) successfully.

EAL®

EAL® is a multi-target cellular immunotherapy product with more than a decade of track record of clinical application in the treatment of cancer. It is a preparation of activated and expanded T cells originally taken from a patient's autologous peripheral blood and cultured using the Group's patented methods. The main active component of the product is CD8* cytotoxic T cells, whose surface marker is the CD3 molecule.

EAL® is undergoing Phase II clinical trial with the postsurgical recurrence of liver cancer selected as the clinical indication. Based on the Company's communications with the CDE, the Company may apply for marketing approval for EAL® indicated for the prevention of postsurgical recurrence of liver cancer using the interim results of the ongoing clinical trial or the final results at the end of the clinical trial if such results are statistically significant. The Company may further communicate with the CDE to facilitate the assessment after obtaining clinical trial results that support the efficacy of EAL®.

As at the date of this report, the Company has completed the enrollment of 430 targeted patients for the Phase II clinical trial. The Company is confident that it will submit a pre-NDA meeting application for the product to the NMPA in 2023 and hopefully market the product in 2024.

Management Discussion and Analysis

CAR-T cell product pipeline

The CAR-T-19 series forms the core of the CAR-T cell product pipeline. The CAR-T-19 injection product candidate has shown efficacy in a clinical study, and the IND application for the product candidate with B-ALL as the clinical indication was accepted for processing by the CDE in August 2019.

In December 2020, the Company received an approval of the IND for clinical trials of CAR-T-19 Injection from the CDE. Following the IND approval, the Company has commenced Phase I clinical trial process for the CAR-T-19 Injection and presented the Phase I clinical trial protocol and proposed timetable in a kick-off conference meeting, which took place in Beijing on 25 February 2021. As at the date of this report, the Company has completed the enrollment of nine targeted patients for the Phase I clinical trial for CAR-T-19 Injection. It is expected that the targeted patient enrollment will be completed and the preliminary analysis and results will be published in 2023.

In March 2023, the Company has obtained the clinical approval for Denocabtagene Ciloleucel Injection from the NMPA. Denocabtagene Ciloleucel Injection, originally known as RC19D2, CAR-T-19-D2 and CAR-T-19-DNR, targeting on immunosuppressive molecule TGF-ß, is an injection for the treatment of patients with relapsed and refractory DLBCL. The injection has the goal of overcoming CAR-T cells pain points in terms of the lack of persistence, the lack of efficacy in the treatment of solid tumours, and in the prevention of tumour recurrence. As at the date of this report, the Company has obtained the clinical approval for Denocabtagene Ciloleucel Injection from the NMPA. Based on the current progress, the Company expects to conduct the clinical trial of Denocabtagene Ciloleucel Injection in 2023.

Based on the technology of the CAR-T-19 injection, Denocabtagene Ciloleucel Injection and aT19 injection product candidates have the ultimate goal of overcoming CAR-T cells' pain points in terms of the lack of persistence, the lack of efficacy in the treatment of solid tumours, and in the prevention of tumour recurrence. If verified, the technology underlying these two product candidates may be used in the genetic modification of other CAR-T and TCR-T cell products targeting solid tumours.

TCR-T cell product pipeline

TCR-T cell therapy is an immunotherapy based on the reinfusion of tumour antigen-specific T cells. The Company established single-cell sequencing-based technology platform to obtain different HLA-restricted TCR coding sequences for specific antigens. Subsequently, the TCR genes are inserted into the self-constructed lentiviral vector for transduction into T cells, and then the killing effect on tumour cells is confirmed by an in vitro and in vivo model. In this way, the Company intends to finally prepare a gene database for TCRs where different antigenic specificities presented by common HLA could be recognised.

With a view to overcoming the immunosuppressive mechanisms of tumours, the Company has constructed expression vectors that co-express TCR and CXCR3, IL-12, or TGF-ß DNR, and it plans to use transplanted tumour models to investigate their effects on the therapeutic effect of TCR-T cells, thereby laying the foundation for the development of the next generation of TCR-T cell products for the treatment of solid tumours.

The Company has a number of TCR-T cell product candidates under pre-clinical studies, with the relevant target antigens including the cancer-testis antigen or cancer-placental antigen such as NY-ESO-1, and antigens derived from viruses such as CMV, EBV and HPV.

Management Discussion and Analysis

The Company entered into the license agreement with T-Cure on 11 January 2021. With the exclusive license to use the patent entitled "HERV-E Reactive T-Cell Receptors And Methods Of Use" for development and commercialisation of a TCR-based immunotherapy for Renal Cell Carcinoma in HLA A-11 restricted human patients in the PRC and the Republic of Korea that was granted to the Group, the Company will gain an advantage in treatment of renal cell carcinoma indication in the PRC and the Republic of Korea.

6B11-OCIK Injection

6B11-OCIK Injection is an injection of ovarian cancer autologous cytotoxic T lymphocyte. 6B11 is the monoclonal anti-idiotypic antibody prepared by Beijing Weixiao with COC166-9 immunised mice with monoclonal antibody to mimic ovarian cancer-related antigen OC166-9. The use of 6B11 can induce specific anti-ovarian cancer humoral and cellular immune antibodies in vitro, which can be cultured and proliferated in vitro (6B11-OCIK Injection) and infused back to the subject to achieve the purpose of specifically killing tumour cells.

As at the date of this report, the Company has completed the enrollment of six targeted patients for the Phase I clinical trial for 6B11-OCIK Injection. The Company intends to complete the enrollment of targeted patients and publish the preliminary analysis and results in 2023.

Cautionary Statement required by Rule 18A.05 of the Listing Rules: The Company cannot guarantee that our core product candidate and other product candidate will ultimately be successfully developed and marketed.

The Group's facilities

The Company has a total area of approximately 27,866 sq.m. for a R&D and manufacturing centre in Beijing, which includes a quality inspection building and clean laboratory. Such facilities are capable of supporting the pre-clinical and clinical R&D of cellular immunotherapy product candidates, as well as the early production needs upon marketing approval for the product candidates. All these facilities have been issued clean facility (area) inspection reports by the Beijing Institute for Drug Control. The Company's Leadman manufacturing shop and the Guosheng Laboratory in Beijing have the capacity to handle approximately 40,000 samples per year, and can satisfy the needs from the clinical trials for its product pipeline for two to three years, as well as the early production needs from the commercialisation of EAL®. In addition, the Company has established a research centre in the Republic of Korea primarily focusing on the development of new technologies relevant to the Group's business.

In order to expedite the clinical trials and prepare for the future commercialisation roadmap, the Company is planning to establish R&D and production centres in densely-populated areas in China in view of the six-hour transportation radius for EAL®; namely:

- Northern China region:
    - On 9 October 2021, Beijing Yongtai as the tenant, entered into the Lease Agreement with Leadman as the landlord in relation to the lease of a premise. Based on preliminary estimation of the Company, the value of the right-of-use assets in respect of the premise, after the relevant addition adjustments, shall amount to approximately RMB63.0 million in aggregate. The premise is used for carrying out the engineering modification and manufacturing of its core product EAL® and incidental office use related thereto. The premise will allow the Group to carry out the necessary testing and quality assurance procedures and production for the purpose of the commercialisation of the Group's Core Product Candidate. Details of the Lease Agreement are set out in the announcement of the Company dated 11 October 2021.

  - on 17 June 2021, the commencement ceremony for the construction of the R&D and industrialisation base took place, which marked the official launch of the construction project of the Group's R&D and industrialisation base in Beijing. The expected investment for the Beijing production centre would amount to approximately RMB1.2 billion, which is expected to be financed by a bank loan. After completion, it is expected to reach an annual production capacity of over 200,000 batches of cells, covering the domestic Northern and Northeast markets in China.

- Eastern China region:

  - in February 2021, Beijing Yongtai entered into a cooperation framework agreement with the Shaoxing Binhai New Area Management Committee* (紹興濱海新區管理委員會) in relation to, among others, establishing the proposed research and development and production centre of EAL® for the Eastern China region, the proposed joint establishment of academician workstations with universities and research institutions in the PRC, the proposed land development regarding the project and the proposed establishment of the Industry Fund, targeted at investments in the upstream and downstream industrial chain of, among other things, cellular immunotherapy. At present, the total investment for the project is expected to be approximately RMB1.0 billion. The first phase of construction of proposed research and development and production centre of EAL® for the Eastern China region is expected to complete within 36 months after obtaining the relevant land title certificate.

  - On 11 May 2022, Shanghai Yongtai Immunobiological Products Co Ltd (上海永泰免疫生物製品有限公司) as the leasee, entered into a land use rights grant contract with Shanghai Songjiang Bureau of Planning and Natural Resources* (上海市松江區規劃和自然資源局) as the leasor, in relation to lease a land located in Shanghai Songjiang Industrial Area, with a total site area of approximately 21,848.6 sq.m. (the "**Land**"). The Land is for industrial use and the term of the land use rights for the Land is 20 years from the delivery date of the Land. The Company intends to use the land for R&D centre of the product candidates in Eastern China.

- Southern and Western China regions:

  - the Company is conducting site evaluation for EAL® commercialisation purposes in the Pearl River Delta region and Sichuan-Chongqing region and expects to finalise the plan in 2024.

Quality assurance

The Company has formulated the quality management documentation in accordance with GMP, covering production process procedures, product quality standards, equipment and facilities operation procedures, inspection procedures, sample retention and sampling management procedures, personnel training, environmental monitoring, verification and confirmation, deviation inspection, and quality risk control management procedures. The Company has standardised the selection, purchase, inspection, release, production process, inspection process, product storage, and transportation of the materials used in the products to ensure full compliance with relevant laws and regulations and GMP requirements. Under the Company's quality management procedures, final products can be released only after quality inspection in order to ensure that the products meet the relevant standards and intended use.

Management Discussion and Analysis

In particular, the production of EAL® has achieved standardisation. The Company has developed comprehensive standards in relation to the production process in order to ensure that the product is of consistent quality.

To ensure the final products meet the quality standards, all quality issues during the production process are documented, escalated to, and reviewed by senior management. The Company also conduct a formal risk assessment and justification in accordance with the standards and procedures under our quality management system and policies.

The head of our quality department reports directly to the CEO. There are six sub-teams within the quality department responsible for quality assurance, quality control, R&D quality assurance, R&D quality control, quality verification and molecule test respectively. As at 31 December 2022, the Company had 65 staff members in the quality department.

Future and outlook

Expedite the clinical trial and prepare for commercialisation of EAL®

The Company plans to further increase investment into expanding the geographical regions in which to conduct the ongoing Phase II clinical trial for EAL®, with a view of expediting subject enrolment and data collection, and at the same time preparing for future commercialisation.

Cellular immunotherapy products are subject to diminishing cell activity once taken out of the laboratory. As at the date of this report, the Company confirmed the sites in Beijing, Shaoxing and Shanghai to construct production centres. The Company is planning to establish R&D and production centres in cities that densely-populated areas in China in view of the six-hour transportation radius for EAL®. After establishing its presence in Beijing, Shaoxing and Shanghai, the Company plans to build production centres in other major cities such as Guangzhou and Chengdu.

The first patient for the Phase II clinical trial for EAL® was enrolled in September 2018, and as at the date of this report, the Company has completed the enrollment of 430 targeted patients for the Phase II clinical trial. The Company is confident that it will submit a pre-NDA meeting application for the product to the NMPA in 2023 and hopefully market the product in 2024.

Expedite the research into the expansion of indications for EAL®

The Company intends to initiate clinical research on the expansion of indications for EAL®. Several clinical studies have shown the efficacy of EAL® in the treatment of various types of tumours other than liver cancer. After obtaining the marketing approval for EAL®, the Company plans to expand its clinical indications to diseases such as lung cancer, gastric cancer, glioma and colorectal cancer. The Company is currently conducting a pre-clinical study of EAL® for gastric cancer as indication. The pharmacodynamics study has been completed and the pharmacology and toxicology studies are in progress. The Company expects to submit the clinical study application to the CDE of the NMPA in 2024 after completing the preclinical study.

Management Discussion and Analysis

According to the clinical application data of Guoqing Zhang et al from Chinese PLA General Hospital (中國人民解放軍總醫院), in respect of 84 patients with stage IIIc-IV gastric cancer consisting of 42 patients who received more than six EAL® infusions and 42 patients with concurrent control, the overall survival (OS) of the EAL®-treated group was 27.0 months, while that of the control group was 13.9 months. In another study by Guoqing Zhang et al on small cell lung cancer, there were 32 patients consisting of 16 for the EAL®-treated group and 16 for the control group. The patients in the EAL®-treated group were each treated with more than six EAL® infusions, and the OS in the EAL®-treated group was numerically longer than that in the control group.

Continuing investments in CAR-T and TCR-T pipelines and accelerate the R&D progress of genetically modified product candidates

The Company plans to continue to invest into our CAR-T and TCR-T cell product pipelines.

Denocabtagene Ciloleucel Injection, originally known as RC19D2, CAR-T-19-D2 and CAR-T-19-DNR, targeting on immunosuppressive molecule TGF-ß, is an injection for the treatment of patients with relapsed and refractory DLBCL. The injection has the goal of overcoming CAR-T cells pain points in terms of the lack of persistence, the lack of efficacy in the treatment of solid tumours, and in the prevention of tumour recurrence. As at the date of this report, the Company has obtained the clinical approval for Denocabtagene Ciloleucel Injection from the NMPA. Based on the current progress, the Company expects to conduct the clinical trial of Denocabtagene Ciloleucel Injection in 2023.

Targeting at prevention of recurrence after cellular immunotherapy, the Company is conducting R&D on therapeutic strategies adopting different immune mechanisms and different immune cells, to achieve effective induction of tumour antigen-specific immunological memory cells and long-term remission of tumours. The first product candidate in this category is the aT19 injection.

In the area of malignant disease caused by viruses such as CMV, EBV and HPV, the Company is conducting research into TCR-T cell products targeting at cells expressing virus antigens.

In the area of neoantigens formed from tumour mutations in solid tumours, the Company intends to identify antigen-specific TCRs suitable for different individuals, with a view to ultimately constructing a gene database for TCRs targeting of tumour neoantigens in an effort to conduct research into molecule-specific TCR-T cell products for the treatment of solid tumours.

Management Discussion and Analysis

Develop viral vector production and early-stage R&D services business

The viral vector production system we have established meets the pharmaceutical production quality standards under GMP requirements. The viral vectors that the Company has produced meet the requirements for biological products and can be produced in scale. At present, domestic CAR-T cells companies often order viral vectors from abroad.

Due to the high degrees of individualisation and the nature as biological active products, cellular immunotherapy products are subject to research and development carried out through a systematic technology platform covering cell preparation, cell quality control, cell potency studies, cell safety studies, etc. In the absence of such platform, the productisation of the cells would be difficult. Through the research on a variety of products, including non-genetically modified and genetically-modified cellular immunotherapy products, the Company has established a systematic technology platform for the research and development of cellular immunotherapy products, and it can provide customised services according to the needs of customers.

Expand strategic collaboration and explore acquisition opportunities on the basis of organic growth

The Company intends to expand strategic collaboration and explore acquisition opportunities on the basis of the organic growth, in order to quickly expand the product pipeline covering the treatment of both solid and non-solid tumours. With a view to further enhancing the product pipeline, the Company intends to continue looking for new potential cellular immunotherapy products by expanding strategic cooperation and identifying potential acquisition targets possessing products with clear professional prospects.

EVENTS AFTER THE REPORTING PERIOD

Others

Completion of issue of Convertible Bonds under specific mandate

On 20 February 2023, the Board announces that all the conditions precedent under the Subscription Agreement have been fulfilled that the Convertible Bonds in the aggregated principal amount of RMB300 million have been issued to the Investor are due in 2025. The Convertible Bonds are convertible into the Company's ordinary shares of US$0.001 each at an initial conversion price of HK$4.81 per share subject to adjustments. The interest rate is 6% per annum on the outstanding principal amount of the Convertible Bonds. Such interest shall accrue on a daily basis and shall be payable in arrears by the Company on the first anniversary, second anniversary and the maturity date. Details of the Convertible Bonds are set out in the circular of the Company dated 16 December 2022.

Management Discussion and Analysis

FINANCIAL REVIEW

The following table summarises our results of operations for the years ended 31 December 2022 and 2021:

	For the year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Other income	**9,087**	17,755
Other gains and losses, net	**(36,335)**	(23,540)
Administrative expenses	**(97,708)**	(104,254)
Research and development expenses	**(176,223)**	(240,610)
Finance costs	**(6,135)**	(3,678)
Other expenses	**(13,781)**	(288)
Loss before tax	**(321,095)**	(354,615)
Income tax expense	**–**	–
Loss and total comprehensive expense for the year	**(321,095)**	(354,615)
Loss and total comprehensive expense for the year attributable to:		
Owners of the Company	**(318,109)**	(354,224)
Non-controlling interests	**(2,986)**	(391)
	(321,095)	(354,615)
Loss per share (RMB)		
Basic	**(0.62)**	(0.69)
Diluted	**(0.62)**	(0.69)

Other income

Other income of the Group decreased by approximately 48.9% from approximately RMB17.8 million for the year ended 31 December 2021 to approximately RMB9.1 million for the year ended 31 December 2022, which was primarily due to the decrease in interest income on bank deposits and government grants during the Reporting Period.

Management Discussion and Analysis

Set out below are the components of other income for the years ended 31 December 2022 and 2021:

	For the year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Income received from provision of cell cryopreservation services (Note a)	**710**	710
Income received from technical service	**75**	132
Interest income on bank deposits	**3,011**	7,425
Interest income from rental deposits	**190**	131
Government grants (Note b)	**5,101**	9,274
Others	**–**	83
Total	**9,087**	17,755

Note a: Cell cryopreservation is the process whereby cells are preserved by cooling to very low temperatures.

Note b: Government grants related to research and development activities, compensations of the capital expenditure and listing reward from local PRC governments.

Other gains and losses, net

Other gains and losses, net of the Group increased by approximately 54.5% from losses of RMB23.5 million for the year ended 31 December 2021 to losses of RMB36.3 million for the year ended 31 December 2022, which was primarily because of the change in fair value loss on financial assets at FVTPL which include the subscription of limited partner interests in Shaoxing Yongsheng Equity Investment Partnership (LP)* (紹興永晟股權投資合夥企業(有限合夥)) and Tasly Bioscience Fund, L.P. and fair value loss on other financial liability which is convertible bonds during the Reporting Period.

Business development expenses

The Company did not incur any business development expenses for the year ended 31 December 2022, which was primarily due to larger scale of Phase II clinical trial for EAL® based on which the Company has classified all the business development expenses relevant to such clinical trial to our research and development expenses.

Administrative expenses

Administrative expenses of the Group decreased by approximately 6.3% from approximately RMB104.3 million for the year ended 31 December 2021 to approximately RMB97.7 million for the year ended 31 December 2022, which was primarily due to the decrease in headcount of administrative staff.

The Group's administrative expenses primarily include staff costs, professional fees including fees paid to contractors and recruiters, depreciation expenses of the right-of-use assets for the leases, vehicles and office equipment, travel and hospitality fees and others.

Management Discussion and Analysis

Research and development expenses

Research and development expenses of the Group decreased by approximately 26.8% from approximately RMB240.6 million for the year ended 31 December 2021 to approximately RMB176.2 million for the year ended 31 December 2022, which was primarily due to the decrease in headcount of research staff.

	For the year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Materials for research and development project	**17,347**	27,918
Staff costs	**79,152**	132,519
Contracting costs	**31,317**	47,897
Depreciation and amortisation	**27,311**	14,491
Others	**21,096**	17,785
Total	**176,223**	240,610

Finance costs

Finance costs of the Group increased by approximately 64.9% from approximately RMB3.7 million for the year ended 31 December 2021 to approximately RMB6.1 million for the year ended 31 December 2022, which was primarily due to the increase in interest expenses on lease liabilities recognised pursuant to IFRS 16.

Other expenses

Other expenses of the Group increased by approximately 4,500.0% from approximately RMB0.3 million for the year ended 31 December 2021 to approximately RMB13.8 million for the year ended 31 December 2022, which was primarily due to the increase in issue cost of the convertible bonds.

Set out below are the components of other expenses for the periods indicated:

	For the year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Costs for provision of cell cryopreservation services	**288**	288
Issue costs for convertible bonds designated at FVTPL	**13,493**	–
Total	**13,781**	288

The costs for provision of cell cryopreservation services consist of (i) amortised costs in respect of the one-off initial set-up costs; and (ii) ongoing expenses which we recognise in the period during which they were incurred.

Management Discussion and Analysis

Loss before tax

For the above reasons, the loss before tax of the Group decreased by approximately 9.4% from approximately RMB354.6 million for the year ended 31 December 2021 to approximately RMB321.1 million for the year ended 31 December 2022.

Income tax expense

For the year ended 31 December 2022, the Company is not subject to any income tax in the Cayman Islands. No Hong Kong profit tax was provided for as there was no estimated assessable profit of the Hong Kong subsidiary, which was subject to Hong Kong profit tax during the Reporting Period. The subsidiaries located in the PRC, were generally subject to the statutory enterprise income tax at a rate of 25% on the assessable profits according to the PRC Enterprise Income Tax Law. One of the PRC subsidiaries, Beijing Yongtai was accredited as a High And New Technology Enterprise for a three-year period commencing from 31 October 2018 and it was accredited as a High And New Technology Enterprise again for a three-year period on 17 December 2021. Accordingly, Beijing Yongtai enjoyed a lower tax rate of 15% during the Reporting Period.

Liquidity and capital resources

The bank balances and cash decreased by approximately RMB294.9 million from approximately RMB353.3 million at 31 December 2021 to approximately RMB58.4 million at 31 December 2022, which was primarily due to the net loss from operation and construction of plant and purchase of related machinery. During the Reporting Period, the Group obtained a new bank borrowing amounted to RMB1.0 million, which will mature in December 2024. The borrowing carries interest at a floating interest rate determined as loan prime rate minus 0.6% per annum. The borrowing was secured by bank deposits owned by the Group amounted to RMB1.0 million as at 31 December 2022.

On 20 February 2023, the issuance of the convertible bonds was completed and the Company received the consideration of RMB300 million. Details are set out in the Company's announcement dated 20 February 2023.

INDEBTEDNESS

Lease liabilities

As at 31 December 2022, the lease liabilities were approximately RMB148.8 million. The lease liabilities were secured by rental deposits and unguaranteed.

Contingent liabilities, charge of assets and guarantees

During the Reporting Period, the Group obtained a new bank borrowing amounted to RMB1.0 million, which will mature in December 2024. The borrowing carries interest at a floating interest rate determined as loan prime rate minus 0.6% per annum. The borrowing was secured by bank deposits owned by the Group amounted to RMB1.0 million as at 30 June 2022.

Save as disclosed above, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, loans, borrowings, lease liabilities, liabilities under acceptance or other similar indebtedness, any guarantees or other material contingent liabilities as at 31 December 2022.

Management Discussion and Analysis

CAPITAL STRUCTURE

The Shares of the Company were listed on the Main Board of the Stock Exchange on 10 July 2020, and 100,000,000 Shares of the Company were issued at the offer price of HK$11.00 per share by way of Global Offering.

Subsequently, the Company announced that the over-allotment option described in the Prospectus was partially exercised by the joint representatives, on behalf of the international underwriters, on 31 July 2020, in respect of an aggregate of 14,584,000 Shares representing approximately 14.58% of the total number of the Shares initially available under the global offering before any exercise of the over-allotment option to facilitate the return to Tan Zheng Ltd of the borrowed Shares under the stock borrowing agreement which were used to cover over-allocations in the international offering. There was no change in the capital structure of the Group since then. The share capital of the Group only comprises ordinary shares. As at 31 December 2022, the total issued share capital of the Company was US$514,584 divided into 514,584,000 Shares.

The capital structure of the Group was 42.4% debt and 57.6% equity as at 31 December 2022, compared with 25.0% debt and 75.0% equity as at 31 December 2021.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Formation of joint venture

On 2 June 2022, Beijing Yongtai entered into a joint venture agreement with Shanghai NKY, a wholly-owned subsidiary of NKY Medical. NKY Medical is a listed company on the Shenzhen Stock Exchange (stock code: 300109) and is the parent company of one of the Company's pre-IPO investors, NKY Medical Hongkong Limited.

Pursuant to the terms of the joint venture agreement, Beijing Yongtai and Shanghai NKY agreed to set up a joint venture company in Shanghai for the purpose of accessing to the market of companion diagnostics for tumour treatment, targeting to provide products and services of companion diagnostics for tumour treatment.

Details of the joint venture are set out in the announcement of the Company dated 2 June 2022. Save as disclosed and as at the date of this report, there were no significant investments held by the Group or future plans regarding significant investment or capital assets.

Management Discussion and Analysis

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2022, we had a total of 243 employees in the PRC and three employees in the Korea. The total amount of employee remuneration of the Group (including Directors' remuneration) for the year was approximately RMB114.2 million (2021: approximately RMB183.1 million). The following table sets forth the number of our employees for each function as at 31 December 2022:

Function	Number of Employees
General management and administration	32
Research and development	31
Senior management	11
Product and technology R&D	29
Production, purification, equipment and safety	53
Quality	65
Clinical support and business development	25
Total	246

The Company has designed an evaluation system to assess the performance of the employees periodically. Such system forms the basis of the determinations of whether an employee should receive a salary raise, bonus, or promotion. We believe the salaries and the bonuses received by the employees are competitive with market rates.

The Group places strong emphasis on providing training to our employees in order to enhance their technicals and product knowledge. The Group designs and offer different training programmes for our employees in various positions.

The Group make contributions to the social insurance and housing provident fund for all our employees in the PRC.

FOREIGN EXCHANGE

Foreign currency risk refers to the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which our Group conducts business may affect our financial condition and results of operation. The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Hong Kong dollars. The conversion of foreign currencies into RMB, including Hong Kong dollars, has been based on rates set by the People's Bank of China. The Group seeks to limit our exposure to foreign currency risk by closely monitoring and minimizing its net foreign currency position. During the Reporting Period, the Group did not enter into any currency hedging transactions.

Management Discussion and Analysis

SELECTED FINANCIAL RATIO

The following table sets out certain selected financial ratios as at the balance sheet dates indicated:

	For the year ended 31 December	
	2022	2021
Current ratio[1]	**0.57**	2.29
Quick ratio[2]	**0.53**	2.23
Gearing ratio[3]	**0.00**	–

Notes:

(1) Current ratio equals current assets divided by current liabilities as at the end of the period.

(2) Quick ratio equals (a) current assets less inventories divided by (b) current liabilities as at the end of the period.

(3) Gearing ratio equals total borrowings divided by total equity as at the end of the period. As at 31 December 2021 the Group had no borrowings and the gearing ratio is not applicable.

The current ratio decreased from 2.29 as at 31 December 2021 to 0.57 as at 31 December 2022 and the quick ratio decreased from 2.23 as at 31 December 2021 to 0.53 as at 31 December 2022 because the bank balances and cash of the Group decreased from approximately RMB353.3 million as at 31 December 2021 to approximately RMB58.4 million as at 31 December 2022.

Directors and Senior Management

DIRECTORS

Executive Directors

Mr Tan Zheng (譚錚), aged 45, was first appointed as a Director in April 2018, and was re-designated as an executive Director and the Chairman in August 2019. He is mainly responsible for overall strategic planning and business direction of our Group. Mr Tan is currently pursuing an executive master in business administration from United Business Institutes China. Through working with various pharmaceutical companies, Mr Tan has accumulated over 20 years of experience in leading commercialisation efforts or marketing and sales within the PRC Pharmaceutical industry. From June 1998 to June 2004, he worked at Shaanxi Buchang Pharmaceutical Co., Ltd. (陝西步長製藥有限公司), a PRC company listed on the Shanghai Stock Exchange, principally engaged in the development and manufacturing of medical drugs, where his last position was an office supervisor at their Tianjin office. From June 2004 to January 2013, Mr Tan served as an office supervisor at the Beijing office of Shaanxi Kanghui Pharmaceutical Co., Ltd (陝西康惠控股有限公司), principally engaged in the research, development and production of pharmaceuticals products. Between January 2013 and August 2015, Mr Tan worked at Wuhan Heer Medical Technology Development Co., Ltd.* (武漢呵爾醫療科技發展有限公司), a PRC company engaged in, among other things, the development and manufacture of cancer screening and analysis systems, first as an office supervisor at the Beijing office and subsequently as a deputy general manager, where he was responsible for sales, supervision and management of daily matters. Mr Tan has been a director of JY Research, the offshore intermediate holding company of our PRC subsidiaries; Hamiyang, the holding company of JY Research; and the chairman of AK Ruike, an indirect wholly-owned subsidiary of our Company, since their respective incorporation. He became the director of Beijing Yongtai, one of our major PRC subsidiaries, in September 2015.

Dr Wang Yu (王歟), aged 55, is an executive Director and the CEO and CTO of our Group. As an executive Director, she works with other members of our Board to oversee our overall operations, set our corporate policies, and develop our business. Also, as our CEO, Dr Wang is responsible for (i) formulating our R&D plans and strategies, including the overall visions and directions for our R&D of EAL and R&D of CAR-T and TCR-T; and (ii) managing our day-to-day operation. As our CTO, Dr Wang is responsible for (i) supervising the clinical R&D activities in respect of liver cancer indication for EAL®; (ii) managing the R&D efforts to expand the clinical indications for EAL®; and (iii) together with Dr Zhang, our chief scientist, leading our R&D team in exploring and developing CAR-T and TCR-T related therapies and product candidates. Dr Wang received a bachelor's degree of science in pharmaceutical chemistry and a master's degree of science in physiology from Beijing Medical University (now known as Peking University Health Science Centre (北京大學醫學部)) in the PRC in July 1989 and November 1992, respectively. Dr Wang obtained a Ph.D. in immunology from Peking University (北京大學), the PRC, in July 2002. Dr Wang has over 25 years of experience in medical research. After graduating from the Beijing Medical University in 1992, Dr Wang worked as a researcher with a number of research institutions in China and abroad, including Beijing Medical University, Georgetown University, Peking University Health Science Centre, and Beijing Cancer Hospital (北京腫瘤

醫院) affiliated with Peking University. She joined Beijing Yongtai in November 2006 as its director, CEO and CTO. From December 2003 to November 2006, she was also a deputy director of the Cancer Biological Therapy and Diagnosis Centre in Beijing Cancer Hospital (北京腫瘤醫院). From September 2014 to December 2018, Dr Wang served as a deputy director of Laboratory of Oncology, Chinese PLA General Hospital (中國人民解放軍總醫院), which is a key laboratory of the Ministry of Education, PRC, where she directed the R&D of the laboratory. During the same period, Dr Wang continued to provide direction and input to our research effort as our technology adviser and was subsequently appointed as our CEO and CTO in December 2018. Dr Wang is also a council member of the Beijing Society for Immunology (北京免疫學會) of the PRC from December 2011 to December 2015, a council member of China Medicinal Biotechnology Association (中國醫藥生物技術協會) from May 2013 to May 2017, the deputy director of oncology committee of the Chinese Research Hospital Association (中國研究型醫院學會) of the PRC since November 2015, and the deputy director of tumour Immunotherapy committee of the Beijing Breast Disease Society (北京乳腺病防治學會) of the PRC since December 2015. Dr Wang was a member of the editorial board of Progress in Microbiology and Immunology (微生物學免疫學進展) from January 2011 to December 2013, a member of the editorial board Chinese Journal of Microbiology and Immunology (中華微生物學和免疫學雜誌) since December 2013 and a member of the editorial board of Chinese Journal of Biologicals (中國生物製品學雜誌) from August 2013 to August 2018.

NON-EXECUTIVE DIRECTORS

Mr Si Xiaobing (司小兵), aged 42, was appointed as a non-executive Director in August 2019. Mr Si received a bachelor of science degree in acupuncture and massage therapy from Shanxi University of Chinese Medicine (山西中醫藥大學), the PRC in July 2003 and a master of science degree in acupuncture and massage therapy from Gansu University of Chinese Medicine (甘肅中醫藥大學), the PRC in July 2007. Mr Si has taken up managerial roles in various enterprises. From February 2009 to January 2012, Mr Si was an engineer at Tianjin Boai NKY Internationals Ltd (天津博愛新開源國際貿易有限公司), where he was responsible for the R&D of new pharmaceutical products. From February 2012 to January 2013, he was a manager assistant at Beijing Zhong Sheng Bang New Materials Research Institute Co., Ltd* (北京中盛邦新材料研究院有限公司), a company primarily engaged in materials technology research. From January 2014 to November 2016, Mr Si was a project manager at Peking University V-Ming (Shanghai) Investment Holdings Co., Ltd (北大未名（上海）投資控股有限公司), a PRC company principally engaged in properties investment and equity funds. From April 2017 to March 2018, he was a manager of the marketing department at Beijing Huanuo Aomei Gene Biotechnology Co., Ltd* (北京華諾奧美基因生物科技有限公司), a PRC service provider in the life science and clinical medicine industries. Mr Si was a manager assistant of a subsidiary of the Group from March 2018 to November 2022. Mr Si has been appointed as the secretary of the board of directors of Chongqing Kingsley Aeronautical Materials Co., Ltd. (重慶金世利航空材料有限公司) in December 2022.

Directors and Senior Management

Mr Tao Ran (陶然), aged 57, was appointed as a non-executive Director in August 2021, was appointed as the vice president of CR Pharma in June 2021 and appointed as executive Director in September 2021. He is concurrently a director of China Resources Jiangzhong pharmaceutical Group Co., Ltd., a director of China Resources Zizhu Pharmaceutical Co., Ltd, a director of China Resources Pharmaceutical Commercial Group Company Limited, a director of China Resources Biomedical Co., Ltd., a chairman of the supervisory board of China Resources Sanjiu Medical & Pharmaceutical Company Limited (華潤三九醫藥股份有限公司), a supervisor of China Resources Double-Crane Pharmaceutical Company Limited (華潤雙鶴藥業股份有限公司) and a chairman of the supervisory board of Dong-E-E-Jiao Company Limited (東阿阿膠股份有限公司). Mr Tao was appointed as the chairman and director of China Resources Boya Bio-pharmaceutical Group Co. Ltd. (華潤博雅生物製藥集團股份有限公司) (the shares of which are listed on the Shenzhen Stock Exchange, Stock Code: 300294) in December 2021. Mr Tao has been a deputy chief of Import Division I of China Resources National Corporation (currently known as China Resources Company Limited), a general manager of Strategic Development Division and a deputy general manager of China Resources Textiles (Holdings) Co., Ltd. and a senior director of Strategic Development Division and the general manager of Strategic Development Division of CR Pharmaceutical. Mr Tao holds a bachelor's degree in Engineering awarded by Shanghai Jiao Tong University, China and a master's degree in Economics awarded by Beihang University, China.

Mr Wang Ruihua (王瑞華), aged 59, graduated from Hebei University of Science and Technology with a bachelor's degree in inorganic chemical engineering in 1983 and obtained a master's degree in accounting from the Chinese University of Hong Kong in 2007. Mr Wang has over 39 years of experience in finance and business. Since 2001, he has held a number of senior management positions in Tasly Pharmaceutical Group Co., Ltd* (天士力醫藥集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600535.SH) and currently serves as the chief financial officer of Tasly Biopharmaceuticals Co., Ltd* (天士力生物醫藥股份有限公司) and the director of Tianjin Tasly (Liaoning) Pharmaceutical Co., Ltd.* (天津天士力（遼寧）製藥有限責任公司), Shaanxi Tasly Plant Pharmaceutical Co., Ltd.* (陝西天士力植物藥業有限責任公司) and Tasly Chuangshijie (Tianjin) Biopharmaceutical Co., Ltd. (天士力創世傑（天津）生物製藥有限公司). From 1996 to 2001, he was the chief of finance of Tianjin Ripan Float Glass Co., Ltd.* (天津日板浮法玻璃有限公司). Prior to that, he has successively held various positions in Ministry of Chemical Industry Changsha Design and Research Institute* (化工部長沙化學礦山設計院), Qinhuangdao Glass Industry Research and Design Institute* (秦皇島玻璃工業研究設計院), and the SCIVIC Engineering Corporation* (機械工業部第四設計院). Mr Wang is a Chinese certified public accountant, a senior accountant and a certified asset appraiser in the PRC.

Mr Yang Fan (楊帆), aged 42, graduated from Carleton University with a bachelor's degree in economic in 2004 and obtained a master's degree in business administration from Cheung Kong Graduate School of Business in 2012. He further obtained an executive master's degree of business administration from Guanghua School of Management of Peking University in 2020. Mr Yang has over 18 years of experience in corporate finance. Since 2016, he has held a number of senior management position in Tasly Financial Leasing Co., Ltd* (天士力融資租賃有限公司) and currently serves as its director and president. From 2014 to 2016, he served as the executive director of the aviation investment division of China Minsheng Investment Co., Ltd.* (中國民生投資股份有限公司) and the director of CM Luxembourg Investment S.A.. Prior to that, Mr Yang has held various senior and managerial positions in a number of financial leasing corporation and financial institutions.

Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Professor Wang Yingdian (王英典), aged 61, was appointed as an independent non-executive Director in June 2020 and taking effect from 29 June 2020. He is mainly responsible for providing independent opinion and judgment to our Board. Professor Wang obtained a bachelor's degree in biology and a master's degree in physiology of plants in Northeast Normal University (東北師範大學) in the PRC in July 1983 and July 1988, respectively. In March 1997, he received a Ph.D. in crop production from Iwate University in Japan. Professor Wang has over 30 years of experience in academia with a research focus on development biology and biotechnology. Professor Wang has been a distinguished professor of College of Life Sciences at Beijing Normal University (北京師範大學) since September 2002 and was an independent non-executive director of Beijing Beilu Pharmaceuticals Company (北京北陸藥業股份有限公司) (stock code: 300016), a China-based company listed on Shanghai Stock Exchange, principally engaged in the research, development, production and distribution of pharmaceutical product since June 2019. Since November 2020, he has served as an independent non-executive director of Beijing Northland Biotechnology Co., Ltd.* (北京諾思蘭德生物技術股份有限公司) (stock code: 430047), a Chinese company listed on the Beijing Stock Exchange, which is mainly engaged in the research, development, and production of innovative drugs and sales.

Mr Ng Chi Kit (吳智傑), aged 49, was appointed as an independent non-executive Director in June 2020 and taking effect from 29 June 2020. He is mainly responsible for providing independent opinion and judgment to our Board. Mr Ng obtained a bachelor of arts in accountancy in Hong Kong Polytechnic University in November 1997. He has been a member of the Hong Kong Institute of Certified Public Accountants since January 2003 and a fellow member of the Association Chartered Certified Accountants since June 2006. Mr Ng has over 20 years of experience in accounting and audit. He worked at Nelson Wheeler from August 1997 to February 2000. He joined Nelson Wheeler as an audit intermediate and was promoted to audit semi-senior in August 1998. From March 2000 to November 2009, He worked at the assurance and advisory business services department in Ernst & Young where he initially served as a staff accountant, and was promoted to senior accountant in October 2001. He was later promoted to senior manager in October 2006. Mr Ng has been serving as an independent non-executive director and a member of the audit committee of Chaowei Power Holdings Limited, a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 951) and principally engaged in the manufacture and sale of lead-acid motive batteries, lithium-ion batteries and other related products, since February 2017. He worked as the chief financial officer and company secretary of Suchuang Gas Corporation Limited, a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 1430), from December 2010 to July 2022. He has been an independent non-executive director and a member of the audit committee of Great Wall Motor Company Limited, a company listed on Main Board of the Hong Kong Stock Exchange (stock code: 2333) and principally engaged in the manufacture and sale of pick-up trucks and sport-utility vehicles in China, since May 2017.

Directors and Senior Management

Ms Peng Sujiu (彭素玖), aged 44, was appointed as an independent non-executive Director in June 2020 and taking effect from 29 June 2020. She is mainly responsible for providing independent opinion and judgement to our Board. Ms Peng obtained a bachelor's degree in accounting from University of South China (南華大學) in the PRC in June 2002. She obtained a medium level accountant certificate from the Shanghai Human Resources and Social Security Bureau in the PRC in August 2010. She then became a registered member of the Chinese Institute of Certified Public Accountants in February 2019. Ms Peng has over 5 years of experience in finance and accounting industry. From July 2002 to December 2005, she was a cashier at the Shanghai headquarter of Shanghai Shanxing Economic & Trading Co., Ltd (上海山興經貿有限公司), a company that sells steel coils, cold rolled plates, hot rolled plates and other related products. From April 2012 to December 2013, she was a financial manager at Shanghai Pinrui Medical Equipment Co., Ltd* (上海品瑞醫療器械設備有限公司), a PRC company principally engaged in manufacturing and developing high-tech dental equipment, where she was responsible for financial management of the company. From January 2014 to April 2016, she served as a financial manager for Shanghai JL&C Furniture Co., Ltd* (上海捷隆傢俱有限責任公司), a company engaged in household furniture manufacturing, where she was responsible for budget control and approval. Since July 2016, she has been working as a financial director of Shanghai Jianchu Medical Instrument Co., Ltd.* (上海建儲醫療器械有限公司), a company engaged in the sale of medical reagents and medical instruments, where she was responsible for overseeing the accounting and financial reporting functions of the company.

SENIOR MANAGEMENT

Mr Jung Hyun Chul (鄭鉉哲), aged 60, is the chief strategy officer of our Group. He is mainly responsible for the overall resources allocation, commercialisation planning and providing support to our R&D team. As our chief strategy officer, Mr Jung is responsible for (i) strategising and facilitating our overall resource allocation; (ii) advising on our business development and commercialisation plans and strategies, especially for our R&D of EAL; and (iii) providing support, including introducing oversea suppliers, to our R&D team. Mr Jung received a bachelor's degree in operational management and a master's degree in business administration from Yonsei University, Korea in February 1985 and February 1987, respectively. From August 2019 to March 2023, Mr Jung was executive Director of the Company. Prior to joining our Group, from November 1988 to July 1989, Mr Jung served at S-oil Corporation) (stock code: 010950), a company listed on Korea Stock Exchange, principally engaged in producing petroleum, petrochemical, and lubricant products. Between November 1991 and April 1995, he served at Korea Industry Securities Co., Ltd* (韓國產業證券有限公司), a company principally engaged in securities trading and investments, where he was responsible for analysing chemical industry and producing reports on it. Mr Jung joined Beijing Yongtai, one of our major PRC subsidiaries, in November 2006 as its director and since then, has been focusing on the business development and strategic aspects of our business. Mr Jung served as the chief executive director and director at Pharos Vaccine, a company based in the Republic of Korea whose principal business is R&D of cell therapy products in the Republic of Korea from April 2011 until his resignation in March 2019 with a view to focusing more on our business as our chief strategy officer and executive Director. He is also the founder, director and general manager of Beijing Sainuotai, a company incorporated in the PRC that provides consultation services on lymphocyte biosynthesis technology.

Directors and Senior Management

Mr Yang Ning (楊寧), aged 41, is the chief financial officer and company secretary of our Group and he is responsible for overseeing the corporate finance, financial reporting, compliance and company secretarial matters of our Group. Mr Yang was awarded dual bachelor's degrees in art and economics from Peking University (北京大學) in the PRC in July 2003. He also obtained a master's degree of commerce from The University of Queensland, Australia in December 2005. He has been a member of CPA Australia since March 2010 and a member of the Chinese Institute of Certified Public Accountants since June 2016. Mr Yang has over 15 years of experience in accounting and finance. Mr Yang worked as an auditor at Ernst & Young Hua Ming LLP from December 2006 to December 2010, where his last position was a senior auditor. From December 2010 to April 2017, he worked at Deloitte Touche Tohmatsu Certified Public Accountants LLP, Beijing Branch, where his last position was senior manager at the audit and assurance department. From February 2016 to February 2017, he was assigned by Deloitte Touche Tohmatsu to act as an advisory assistant at China Securities Regulatory Commission, where he was responsible for the analysis and review of annual reports, improving the information disclosure regime, and providing professional support for the regulation of the accounting profession. From April 2017 to March 2019, Mr Yang was a director and the secretary of the board of directors of Puritek Co. Ltd* (博瑞德環境集團股份有限公司), a PRC company specialising in technology research and development in the field of sewage treatment and environment protection.

Mr Zhang Jian (張鍵), aged 52, is the senior vice president of our Group, and he is responsible for managing the clinical trials, medical services, daily management and sales network. Mr Zhang has more than 20 years of experience in the pharmaceutical industry. From 1995 to 1998, he was a Sales Manager at the Tianjian Office of Shanxi Buchang Pharmaceutical Co., Ltd. (陝西步長製藥有限公司), a PRC pharmaceutical company that develops and produces medical drugs. From 1998 to 2005, he worked at Jinfang Pharmaceutical Company (西安高科陝西金方藥業公司), a PRC pharmaceutical company that engages in research, development and sales of drugs, his last position was a regional marketing general manager of the Northern China region. From 2005 to January 2016, he worked as a general manager at Xi'an Xingye Pharmaceutical Co., Ltd* (西安興業醫藥有限公司), a company primarily engaged in wholesale of drugs. From August 2013 to January 2016, Mr Zhang was a general manager for Xi'an Shangwo Medical Technology Co. Ltd* (西安尚沃醫療科技有限公司) a company engaged in, among other things, sales and technology research of medical device, while he was working at Xi'an Xingye Pharmaceutical Co., Ltd* (西安興業醫藥有限公司), a PRC pharmaceutical company that engages in the sale of Chinese medicines, antibiotics and biochemicals. From February 2016 to February 2018, he worked as a general manager at Wuhan Heer Medical Technology Development Co., Ltd.* (武漢呵爾醫療科技發展有限公司), a PRC company engaged in the development and manufacture of cancer screening and analysis systems.

Directors and Senior Management

Mr Zhang Yu (張毓), aged 59, is the chief scientist of our Group and he is responsible for leading the China R&D team. In July 1984, Dr Zhang obtained a bachelor degree from the medical faculty of the Fourth Military Medical University (第四軍醫大學) (now known as Air Force Medical University (空軍軍醫大學)), the PRC. He also obtained a master's degree in immunology from The Second Military Medical University (第二軍醫大學), the PRC in July 1987 and a Ph.D. in medical biophysics from University of Toronto, Canada in October 1997. Dr Zhang has around 15 years of experience in the medical field, specialising in lymphocyte development and tumour immunity studies. During his scientific research career, Dr Zhang has authored a number of scientific publications in journals including Frontiers in Immunology, The Journal of Immunology, Oncogene, and Scientific Reports. From October 2004 to September 2009, he worked at the immunology department of Peking University Health Science Centre (北京大學醫學部) as a professor. He became the head of immunology department of Peking University Health Science Centre in September 2009 and then became the assistant dean of the School of Basic Medical Sciences of Peking University (北京大學基礎醫學院) in May 2013.

COMPANY SECRETARY

Mr Yang Ning (楊寧), was appointed as the company secretary of our Company on 23 August 2021. For details of Mr Yang, please refer to the section headed "Senior Management" above.

Report of Directors

The Directors are pleased to present this annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2022.

DIRECTORS

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

Executive Directors:

Mr Tan Zheng *(Chairman)*
Dr Wang Yu *(CEO)*
Mr Jung Hyun Chul *(resigned on 24 March 2023)*

Non-executive Directors:

Mr Si Xiaobing
Mr Lu Yuan *(resigned on 24 March 2023)*
Mr Tao Ran
Mr Wang Ruihua *(appointed on 24 March 2023)*
Mr Yang Fan *(appointed on 24 March 2023)*

Independent Non-executive Directors:

Professor Wang Yingdian
Mr Ng Chi Kit
Ms Peng Sujiu

Biographical details of the current Directors are set out in the section headed "Directors and Senior Management" on pages 22 to 28 of this report.

PRINCIPAL ACTIVITIES

The Group is a leading cellular immunotherapy biopharmaceutical company in China focusing on the research, development, and commercialisation of T cell immunotherapy for over 16 years. Since its establishment in 2006, it has focused on R&D and clinical applications of cellular immunotherapy drugs for cancers and other major diseases, by applying advanced theories in immunology, cell biology, and genetics.

BUSINESS REVIEW

A fair review of the business of the Group including an analysis of the Group's financial performance and financial position during the Reporting Period and an indication of likely future developments in the Group's business and the material factors underlying its financial performance and financial position as required by section 388(2) to the Companies Ordinance (Chapter 622 of The Laws of Hong Kong) are set out in the section headed "Management Discussion and Analysis" in this report. These discussions form part of this report. Events affecting the Company that have occurred since the end of the Reporting Period is set out in the section headed "Events After the Reporting Period" in this report.

Relationship with Employees and Suppliers

The Group understands the importance of maintaining a good relationship with its employees and suppliers to meet its immediate and long-term business goals. During the Reporting Period, there was no material and significant dispute between the Group and its employees and suppliers.

Report of Directors

PRINCIPAL RISKS AND UNCERTAINTIES

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

Risks relating to our business and industry

- We may not be able to identify, discover, or in-license new product candidates, and investors may lose all of their investment in us as a result
- We may not achieve successful and timely development and regulatory approval of our product candidates, all of which are in pre-clinical or clinical development
- We incurred net losses and did not generate any revenue from the sale of our product candidates during the Reporting Period, and there is no assurance that we will become and remain profitable in the future
- Even if approved, our product candidates may fail to achieve the degree of market acceptance by physicians, patients, third-party payors, and others in the medical community necessary for commercial success
- An outbreak of diseases or epidemic may cause material disruptions to our business operations
- We may expend our limited resources to pursue a particular product candidate or indication and fail to capitalise on product candidates or indications that may be more profitable or for which there is a greater likelihood of success
- If we are unable to establish sales and marketing capabilities, we may not be successful in commercialising our product candidates
- Delays in completing and receiving regulatory approvals for our manufacturing facilities, or damage to, destruction of, or interruption of production at such facilities, could delay our development plans or commercialisation efforts
- Our future success depends on our ability to retain key executives and to attract, retain, and motivate qualified personnel
- The prior clinical application of EAL® does not guarantee its success in obtaining regulatory approval or achieving market acceptance
- We had net operating cash outflow during the Reporting Period and we expect to require additional financing to fund our operations, including our R&D and commercialisation efforts
- Raising additional capital may cause dilution to our shareholders, restrict our operations, or require us to relinquish rights to our technologies or product candidates
- Our product candidates may cause undesirable side effects
- The research, development, and commercialisation of pharmaceutical products are heavily regulated

Report of Directors

- Any of our future approved product candidates will be subject to ongoing or additional regulatory obligations and continued regulatory review
- We face substantial competition, which may result in others discovering, developing, or commercialising competing products before or more successfully than we do
- We rely on third parties to conduct our pre-clinical studies and clinical trials and we must work effectively with collaborators to develop our product candidates
- We have entered into collaborations and may form or seek collaborations or strategic alliances or enter into licensing arrangements in the future, and we may not realise the benefits of such alliances
- There may be delays or interruptions in the provision of equipment supplies critical for our clinical trials
- Product liability claims or lawsuits could cause us to incur substantial liabilities
- We partially rely on government grants to finance our R&D activities, and may be liable to repay government grants if we terminate the R&D of a product candidate

Risks relating to intellectual property rights

- We may fail to obtain and maintain patent protection for our product candidates through intellectual property rights
- Our patents could be found invalid or unenforceable if challenged in court
- We may not be able to enforce our intellectual property rights or prevent unfair competition by third parties
- We may become involved in lawsuits to protect or enforce our intellectual property, which could be expensive, time-consuming, and unsuccessful
- If we are sued for infringing, misappropriating, or otherwise violating intellectual property rights of third parties or engaging in unfair competition, such litigation could be costly and time-consuming and could prevent or delay us from developing or commercialising our product candidates
- Obtaining and maintaining our patent protection depend on compliance with various procedural, document submission, fee payment, and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements
- Intellectual property rights do not necessarily protect us from all potential threats to our competitive advantages
- If we are unable to protect the confidentiality of our trade secrets, our business and competitive position would be harmed
- We may not be successful in obtaining necessary rights for our development pipeline through acquisitions and in-licences

Report of Directors

Risks relating to our operations

- We are subject to the risks of doing business globally
- We may experience difficulties in managing our growth
- Our non-compliance with certain laws and regulations regarding certain employee social welfare schemes in the PRC could lead to the imposition of fines and penalties
- If we engage in acquisitions or strategic partnerships, this may increase our capital requirements, dilute our shareholders, cause us to incur debt or assume contingent liabilities, and subject us to other risks
- If we fail to comply with applicable anti-bribery laws, our reputation may be harmed and we could be subject to penalties and significant expenses
- If we fail to comply with environmental, health, and safety laws and regulations, we could become subject to fines or penalties or incur substantial costs
- Our computer systems may fail or suffer security breaches
- We may not have adequate insurance coverage
- Fluctuations in exchange rates could result in foreign currency exchange losses and could materially reduce the value of your investment
- Our financial results for the year ending 31 December 2021 may be affected by fair value changes in the convertible redeemable preference shares we issued
- We recognised gains from changes in fair value of financial assets at fair value through profit or loss which may not recur in the future

Risks relating to doing business in China

- The pharmaceutical industry in China is highly regulated and such regulations are subject to change which may affect approval and commercialisation of our product candidates
- Changes in PRC economic, political, and social conditions, as well as government policies may have an adverse effect on us
- Government control of currency conversion may limit our ability to use capital effectively and could negatively affect our financial condition, operations, and our ability to pay dividends, increase competition from foreign competitors, and affect the value of our net assets, earnings, and dividends in foreign currency terms
- The legal system of the PRC is not fully developed, and there are inherent uncertainties which may affect the protection afforded to our business and our Shareholders

- It may be difficult to effect service of process or to enforce foreign judgments in the PRC as most of our assets are located in the PRC
- We may be deemed to be a PRC tax resident enterprise under the EIT Law and be subject to PRC taxation on our worldwide income
- Gains on the sale of Shares and dividends on the Shares may be subject to PRC income taxes
- The Chinese tax authorities have strengthened their scrutiny over transfers of equity interests in a PRC resident enterprise by a non-resident enterprise, which may negatively affect our business and our ability to conduct mergers, acquisitions or other investments
- We rely on dividends paid by our subsidiaries for our cash needs, and limitations under the PRC laws on the ability of our PRC subsidiaries to distribute dividends to us could adversely affect our ability to utilise such funds
- Our business benefits from certain financial incentives and discretionary policies granted by local governments

Risks relating to the contractual arrangements

Please refer to "Risks relating to the Contractual Arrangements" in this report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to community and achieving sustainable growth. For further details, please refer to the section headed "Environmental, Social and Governance Report" of this report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

DIVIDENDS

The Board does not recommend the distribution of a final dividend for the Reporting Period.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and the senior management of the Company are set in the "Directors and Senior Management" on pages 22 to 28 of this report.

Report of Directors

FINANCIAL SUMMARY

A summary of the audited consolidated results and the assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on pages 71 to 72 of this report. This summary does not form part of the audited consolidated financial statements.

DIRECTOR'S SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years with effect from the date of their service contracts or until the third annual general meeting of the Company since the Listing Date (whichever is sooner).

Mr Si Xiaobing has signed a letter of appointment with the Company for an initial term of three years with effect from the date of his letter of appointment or until the third annual general meeting of the Company since the Listing Date (whichever is sooner).

Each of Mr Tao Ran, Mr Wang Ruihua and Mr Yang Fan, the non-executive Directors, has signed a letter of appointment with the Company with no specific term of his appointment since the date of appointment.

Each of the independent non-executive Directors has signed a letter of appointment with the Company for an initial term of three years with effect from the date of the Prospectus until the third annual general meeting of the Company the Listing Date (whichever is sooner).

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

REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' remuneration and the five highest paid individuals of the Group are set out in notes 12 and 13 to the consolidated financial statements in this report.

EMOLUMENT POLICY

In compliance with Rule 3.25 of the Listing Rules and the CG Code as set out in Appendix 14 to the Listing Rules, the Company has established the Remuneration Committee to formulate remuneration policies. The remuneration is determined and recommended based on each Director's and senior management personnel's qualification, position and seniority. As for the independent non-executive Directors, their remuneration is determined by the Board upon recommendation from the Remuneration Committee.

Each of Mr Tao Ran, Mr Wang Ruihua and Mr Yang Fan is not entitle to any director's fee, and there were no emoluments paid by the Group to any of the directors as an inducement to join, or upon joining the Group, as compensation for loss of office. Details of the Directors' remuneration, senior management and the five highest paid individuals of the Group are set out in notes 12, 13 and 35 to the consolidated financial statements in this report.

The Group has adopted the Share Option Scheme to motivate and reward its Directors and eligible employees. For further details, please refer to the section headed "Report of Directors – Share Option Scheme" of this report.

Report of Directors

FUNDING AND TREASURY POLICY

The Group adopts a stable, conservative approach in its finance and treasury policy, aiming to maintain an optimal financial position, the most economic finance costs, and minimal financial risks. Cash and cash equivalents are normally placed at financial institutions that the Group considers the credit risk to be low. The Group regularly reviews its funding requirements to maintain adequate financial resources in order to support its business operations as well as its research and development, future investments and expansion plans.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACT OF SIGNIFICANCE

No Controlling Shareholders or their subsidiaries had a material interest, either directly or indirectly, in any contract of significance, whether for the provision of services or otherwise, to the Group to which the Company or any of its subsidiaries was a party during the Reporting Period.

DIRECTORS' MATERIAL INTERESTS IN SIGNIFICANT TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

DIRECTOR'S INTEREST IN COMPETING BUSINESS

None of the Directors had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group in the Reporting Period.

In other to eliminate any potential competition with us, Dr Wang Yu and Mr Jung Hyun Chul entered into a deed of non-competition on 9 April 2019 and 6 June 2020, respectively and pursuant to which each of them is required to devote all of his or her working time and attention to the business of our Group. Therefore, such arrangement will not affect the proper discharge and performance of their function and duties towards our Group.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the Reporting Period.

Report of Directors

DIRECTORS' AND CHIEF EXECUTIVE INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the date of this report, the interests and short positions of the Directors of and chief executives of the Company in the ordinary Shares, underlying Shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which were required to be 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 they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, are set out as follows:

(i) Interest in Shares and underlying Shares

Name of Director and chief executive	Capacity/Nature of Interest	Number of Shares held[1]	Approximate percentage of shareholding in the Company
Mr Tan Zheng[2]	Beneficial interest	5,000,000 (L)	0.97%
	Interest in controlled corporation	180,480,000 (L)	35.07%
Mr Jung Hyun Chul[3]	Interest in controlled corporation	44,820,000 (L)	8.71%
	Interest in controlled corporation	90,128,571 (S)	17.51%
Dr Wang Yu[4]	Beneficial interest	23,450,000 (L)	4.56%

Notes:

(1) The letter L denotes "long position" (as defined under Part XV of the SFO) of the relevant person/entity in such Shares and the letter S denotes "short position" (as defined under Part XV of the SFO) of the relevant person/entity in such Shares.

(2) Mr Tan Zheng was interested as a grantee of options subscribe for up to 5,000,000 Shares under the Pre-IPO Share Option Scheme (as defined below).

Pursuant to the Proxy Arrangement, the Passive Minority Shareholders have irrevocably entrusted their voting rights at any general meeting of the Company to Tan Zheng Ltd, such that it may exercise such voting rights with absolute discretion and hence it is deemed to be interested in the Shares held by the Passive Minority Shareholder. Among the 180,480,000 Shares held by Tan Zheng Ltd, 142,080,000 Shares were entrusted by the Passive Minority Shareholders pursuant to the Proxy Arrangement. Tan Zheng Ltd is a company wholly-owned by Mr Tan Zheng. Accordingly, Mr Tan Zheng is deemed to be interested in the 180,480,000 Shares held/deemed to be interested in by Tan Zheng Ltd.

(3) These Shares are held by Evodevo Ltd, a company wholly-owned by Mr Jung Hyun Chul. Accordingly, Mr Jung Hyun Chul is deemed to be interested in the Shares held by Evodevo Ltd.

(4) Dr Wang Yu was interested as a grantee of options subscribe for up to 23,450,000 Shares under the Pre-IPO Share Option Scheme (as defined below).

(ii) Interest in associated corporations

Name of Director	Nature of Interest	Name of other member of the Group	Registered capital	Percentage of interest in the associated corporation
Mr Tan Zheng	Beneficial interest	Yongtai Ruike[1]	RMB30,000,000	60.00%
Dr Wang Yu	Beneficial interest	Yongtai Ruike[1]	RMB20,000,000	40.00%

Note:

(1) Beijing Yongtai Ruike Biotechnology Company Ltd (北京永泰瑞科生物科技有限公司), a company established in the PRC with limited liability on 8 June 2018 and is a wholly-owned subsidiary of the Company.

Save as disclosed above, as at the date of this report, none of the Directors or chief executives of the Company had any interests or short positions in the Shares or underlying Shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which were required to be 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 they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at the date of this report, to the knowledge of the Directors, the following persons (other than the Director or chief executive of the Company) had an interest or a short positions in the Shares or underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register of the Company maintained under Section 336 of the SFO:

Name of Shareholder	Nature of Interest	Number of Shares held[1]	Approximate percentage of shareholding
Tasly Holding Group Co., Ltd.*[2] (天士力控股集團有限公司)	Interested in controlled corporation Person having a security interest in shares	165,595,721 (L) 26,000,000 (L)	32.18% 5.05%
Tasly Pharmaceutical Group Co., Ltd.*[2] (天士力醫藥集團股份有限公司)	Interested in controlled corporation Person having a security interest in shares	165,595,721 (L) 26,000,000 (L)	32.18% 5.05%
Tianjin Zhongzhi Technology Development Co., Ltd.*[2] (天津眾智科技發展有限公司)	Interested in controlled corporation Person having a security interest in shares	165,595,721 (L) 26,000,000 (L)	32.18% 5.05%
Tasly (Hong Kong) Pharmaceutical Investment Limited[2]	Beneficial interest Person having a security interest in shares	165,595,721 (L) 26,000,000 (L)	32.18% 5.05%

Report of Directors

Name of Shareholder	Nature of Interest	Number of Shares held[1]	Approximate percentage of shareholding
Li Yunhui	Interested in controlled corporation	165,595,721 (L)	32.18%
	Person having a security interest in shares	26,000,000 (L)	5.05%
Wu Naifeng	Interested in controlled corporation	165,595,721 (L)	32.18%
	Person having a security interest in shares	26,000,000 (L)	5.05%
Yan Kaijing	Interested in controlled corporation	165,595,721 (L)	32.18%
	Person having a security interest in shares	26,000,000 (L)	5.05%
Yan Xijun	Interested in controlled corporation	165,595,721 (L)	32.18%
	Person having a security interest in shares	26,000,000 (L)	5.05%
Evodevo Ltd[2]	Beneficial interest	44,820,000 (L)	8.71%
	Beneficial interest	90,128,571 (S)	17.51%
Tan Zheng Ltd[3]	Beneficial interest	38,400,000 (L)	7.46%
	Interest of a party to an agreement	142,080,000 (L)	27.61%
China Resources Company Limited[4]	Interested in controlled corporation	51,458,400 (L)	10.00%
China Resources Pharmaceutical Group Limited[4]	Interested in controlled corporation	51,458,400 (L)	10.00%
Beijing Pharmaceutical Investment and Management (BVI) Limited[4]	Beneficial interest	51,458,400 (L)	10.00%
Greater Bay Area Homeland Development Fund (GP) Limited[5]	Interested in controlled corporation	32,998,619 (L)	6.41%
Greater Bay Area Homeland Development Fund LP[5]	Interested in controlled corporation	32,998,619 (L)	6.41%
Poly Platinum[5]	Beneficial interest	32,998,619 (L)	6.41%
Tan Xiaoyang[6]	Interest of controlled corporation/ Interest of spouse	59,794,286 (L)	11.62%
Tan Xiao Yang Ltd[6]	Other	46,080,000 (L)	8.95%
Tan Yueyue[6]	Interested in controlled corporation/Interest of spouse	59,794,286 (L)	11.62%
Zhang Junzheng[7]	Other/Interest of spouse	43,680,714 (L)	8.49%
Zhang Jun Zheng Ltd[7]	Other	41,691,428 (L)	8.10%
Wang Minhui[7]	Interested in controlled corporation/Interest of spouse	43,680,714 (L)	8.49%

Report of Directors

Notes:

(1) The letter L denotes "long position" (as defined under Part XV of the SFO) of the relevant person/entity in such Shares and the letter S denotes "short position" (as defined under Part XV of the SFO) of the relevant person/entity in such Shares. As at the date of this report, the issue Shares comprised 514,584,000 Shares.

(2) These 165,595,721 Shares comprise 6,974,000 Shares held by Tasly (Hong Kong) Pharmaceutical Investment Limited and 68,493,150 Shares are unlisted derivatives – convertible instruments and 90,128,571 Shares are relating to the call option deed entered into between Mr Jung Hyun Chul and its wholly owned company, Evodevo Ltd and the Investor. As at the date of this report, the Convertible Bonds has not been converted and the call option has not been exercised. Assuming upon full conversion of the Convertible Bonds at the initial conversion price of HK$4.81 per conversion share (assuming that there is no other change in the issued share capital of the Company), the approximate shareholding of the Company held by Tasly (Hong Kong) Pharmaceutical Investment Limited is 12.94%. For details, please refer to the announcement of the Company dated 30 October 2022.

(3) Pursuant to a proxy agreement dated 29 August 2019 (the "**Proxy Agreement**"), the passive minority shareholders have irrevocably entrusted their voting rights at any general meeting of the Company to Tan Zheng Ltd, such that it may exercise such voting rights with absolute discretion and hence it is deemed to be interested in the Shares held by the passive minority shareholders.

Among the Shares, 19,285,714 Shares was pledged to the Investor pursuant to the Subscription Agreement.

(4) Beijing Pharmaceutical Investment and Management (BVI) Limited is a company wholly-owned by China Resources Pharmaceutical Group Limited which is indirectly owned as to 53.39% by China Resources Company Limited, China Resources Pharmaceutical Group Limited and China Resources Company Limited are deemed to be interested in the Shares held by Beijing Pharmaceutical Investment and Management (BVI) Limited.

(5) Poly Platinum is a wholly-controlled subsidiary of Greater Bay Area Homeland Development Fund LP (大灣區共同家園發展基金有限合夥) ("**Greater Bay Area Fund**"). According to Poly Platinum, the general partner of Greater Bay Area Fund is Greater Bay Area Homeland Development Fund (GP) Limited. Accordingly, each of Greater Bay Area Homeland Development Fund (GP) Limited and Greater Bay Area Fund is deemed to be interested in the Shares held by Poly Platinum.

(6) These 59,794,286 Shares comprises 46,080,000 Shares held by Tan Xiao Yang Ltd and 13,714,286 Shares held by a company controlled by Ms Tan Yueyue. Tan Xiao Yang Ltd is a company wholly-owned by Mr Tan Xiaoyang, who is deemed to be interested in Shares held by Tan Xiao Yang Ltd. Ms Tan Yueyue is the spouse of Mr Tan Xiayang and Tan Yueyue Ltd is a company wholly-owned by Ms Tan Yueyue. Among the Shares, 6,714,286 Shares held by Tan Yueyue Ltd was pledged to the Investor pursuant to the Subscription Agreement.

Mr Tan Xiaoyang and Tan Xiao Yang Ltd are the passive minority shareholders which entrusted their voting rights in the Company in Tan Zheng Ltd pursuant to the Proxy Agreement.

(7) These 43,680,714 Shares comprises 41,691,428 Shares held by Zhang Jun Zheng Ltd and 1,989,286 Shares held by a company controlled by Ms Wang Minhui. Zhang Jun Zheng Ltd is a company wholly-owned by Mr Zhang Junzheng, who is deemed to be interested in the Shares held by Zhang Jun Zheng Ltd. Ms Wang Minhui is the spouse of Mr Zhang Junzheng.

Mr Zhang Junzheng and Zhang Jun Zheng Ltd are the passive minority shareholders which entrusted their voting rights in the Company in Tan Zheng Ltd pursuant to the Proxy Agreement.

Save as disclosed above, as at the date of this report, the Directors have not been aware of any person (other than the Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which would be required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or to be recorded in the register maintained under Section 336 of the SFO.

SHARE OPTION SCHEME

In order to reward the participants defined thereunder for their contribution to the Group's success and to provide them with incentives to further contribute to the Group, the Company adopted the pre-IPO share option scheme (the "**Pre-IPO Share Option Scheme**") and a share option scheme (the "**Post-IPO Share Option Scheme**") on 6 June 2020.

Report of Directors

Pre-IPO Share Option Scheme

Purpose

The purpose of the Pre-IPO Share Option Scheme is to encourage certain key employees to contribute to the Group for the long-term benefits of the Company and its Shareholders and provide the Group with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to its key employees.

Who May Join

Our Directors (which expression shall, for the purpose of this paragraph, include a duly authorised committee thereof) may, at their absolute discretion, invite any employee, officer, director, contractor, advisor or consultant of the Group who is notified by the Board that he or she is eligible to the option under the Pre-IPO Share Option Scheme by reason of his or her contribution to the Group, to the extent that an offer of an award to or a receipt of such award by him or her is permitted under the applicable laws, rules of any applicable stock exchange (including without limitation the Listing Rules) and regulations or accounting or tax rules and regulations, to take up options to subscribe for Shares.

The eligibility of any of these participants to the grant of any option shall be determined by our Directors from time to time on the basis of our Directors' opinion as to the participant's contribution to the development and growth of our Group. For the avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of these participants shall not, by itself, unless our Directors otherwise so determine, be construed as a grant of option under the Pre-IPO Share Option Scheme.

Maximum Number of Shares

The total number of Shares which may be issued upon the exercise of all options granted under the Pre-IPO Share Option Scheme is 37,500,000 Shares.

Time of Acceptance and Exercise of Option

An offer shall be accepted when we receive the duly signed offer letter together with a non-refundable payment RMB1.00 (or such other sum in any currency as the Board may determine).

An option may be exercised in accordance with the terms of the Pre-IPO Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 7 years from the date of grant of the option subject to the provisions for early termination under the Pre-IPO Share Option Scheme. Unless otherwise determined by our Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Pre-IPO Share Option Scheme for the holding of an option before it can be exercised.

Subscription Price for Shares and Consideration for the Option

The exercise price for any option granted under the Pre-IPO Share Option Scheme shall be HK$5.5 per Share.

Period of the Pre-IPO Share Option Scheme

The share options granted will vest in multiple tranches in same or different proportions as determined by our Directors. The Pre-IPO Share Option Scheme is effective for a period of 7 years from 6 June 2020 and the remaining life of the Scheme as of the date of this annual report is around 4 years.

Details regarding the number of options, date of grant, vesting period, exercise period and exercise price of the share options granted under the Pre-IPO Share Option Scheme that were granted under the Share Option Scheme during the Reporting Period are set out below:

Name of the grantee	Date of grant	Vesting Period	Exercise Period	Exercise Price per share[2]	No. of share options outstanding as at the 1 January 2022	No. of share options granted during the Reporting Period	No. of share options exercised during the Reporting Period	No. of share options cancelled during the Reporting Period	No. of share options lapsed during the Reporting Period	No. of outstanding option as at 31 December 2022[1]
Tan Zheng *Chairman and executive Director*	31 December 2019	Two equal tranches on 31 December 2020 and 2021, respectively	31 December 2019 to 30 December 2026	HK$5.5	5,000,000	–	–	–	–	5,000,000
Wang Yu *Executive Director, CEO and CTO*	31 December 2019	Two equal tranches on 31 December 2020 and 2021, respectively	31 December 2019 to 30 December 2026	HK$5.5	23,450,000	–	–	–	–	23,450,000
Employees (in aggregate)	31 December 2019	Three tranches of 30%, 30% and 40% on 31 December 2020, 2021 and 2022, respectively/ Two equal tranches on 31 December 2020 and 2021, respectively (Note 1)	31 December 2019 to 30 December 2026	HK$5.5	7,600,000	–	–	(120,000)	–	7,480,000
Total					**36,050,000**	**–**	**–**	**(120,000)**	**–**	**35,930,000**

Notes:

1. For details of the vesting periods of share options granted to each of the employees, please refer to Appendix IV to the Prospectus.
2. Closing price of the shares is not applicable as the shares of the Company were not listed at the date of grant.

As at the date of this report, the total number of share available for issue under the Share Option Scheme is 35,930,000 Shares, representing approximately 6.98% of the total issued shares of the Company.

Post-IPO Share Option Scheme

Purpose

The purpose of the Post-IPO Share Option Scheme is to attract and retain employees of the Group and to reward our eligible employees, our Directors and other selected participants for their past contribution to the Group.

Report of Directors

Who May Join

Our Directors (which expression shall, for the purpose of this paragraph, include a duly authorised committee thereof) may, at their absolute discretion, invite any employee, officer, director, contractor, advisor or consultant of the Group who is notified by the Board that he or she is eligible to the option under the Post-IPO Share Option Scheme by reason of his or her contribution to the Group, to the extent that an offer of an award to or a receipt of such award by him or her is permitted under the applicable laws, rules of any applicable stock exchange (including without limitation the Listing Rules) and regulations or accounting or tax rules and regulations, to take up options to subscribe for Shares.

The eligibility of any of these participants to the grant of any option shall be determined by our Directors from time to time on the basis of our Directors' opinion as to the participant's contribution to the development and growth of our Group. For the avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of these participants shall not, by itself, unless our Directors otherwise so determine, be construed as a grant of option under the Post-IPO Share Option Scheme.

Maximum Number of Shares

a) The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option scheme of our Group shall not in aggregate exceed 30.00% of the issued share capital of our Company from time to time.

b) The total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option scheme of our Group shall not in aggregate exceed 10.00% of the Shares in issue on the day on which trading of the Shares commence on the Hong Kong Stock Exchange, such 10.00% limit represents 50,000,000 Shares (the "**General Scheme Limit**"), but excluding any Shares which may be issued upon the exercise of the Over-allotment Option.

c) Subject to paragraph (a) above and without prejudice to paragraph (d) below, our Company may issue a circular to its Shareholders and seek approval of its Shareholders in a general meeting to extend the General Scheme Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share options scheme of our Group shall not exceed 10.00% of the Shares in issue as of the date of approval of the limit and, for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Post-IPO Share Option Scheme and any other share option scheme of our Group) previously granted under the Post-IPO Share Option Scheme and any other share option scheme of our Group will not be counted. The circular sent by our Company to its Shareholders shall contain, among other information, the information required under the Listing Rules.

d) Subject to paragraph (a) above and without prejudice to paragraph (c) above, our Company may seek separate Shareholders' approval in a general meeting to grant options beyond the General Scheme Limit or, if applicable, the extended limit referred to in paragraph (c) above to participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to its Shareholders containing a general description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under the Listing Rules.

Report of Directors

Maximum Entitlement of Each Participant

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Post-IPO Share Option Scheme and any other share option scheme of our Company (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1.00% of the issued share capital of our Company for the time being (the "**Individual Limit**"). Any further grant of options in aggregate in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to our Shareholders and our Shareholders' approval in general meeting of our Company with such participant and his close associates (or his associates if the participant is a connected person) abstaining from voting.

Granting Options to Connected Persons

Any grant of options under the Post-IPO Share Option Scheme to a Director, chief executive or substantial shareholder of our Company or any of their respective associates must be approved by our Independent Non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the options).

Where any grant of options to a substantial Shareholder of our Company or an independent non-executive Director or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (1) representing in aggregate over 0.10% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of the Shares in issue; and (2) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet the date of the offer of grant, in excess of HK$5.0 million (or such other higher amount as may from time to time be specified by the Stock Exchange); such further grant of options must be approved by our Shareholders in a general meeting. Our Company must send a circular to its Shareholders. The grantee, his associates and all core connected persons of our Company must abstain from voting in favor of the relevant resolution at such general meeting. Any vote taken at the general meeting to approve the grant of such options must be taken on a poll. Any change in the terms of options granted to a substantial Shareholder or an independent non-executive Director or any of their respective associates must be approved by our Shareholders in a general meeting.

Time of Acceptance and Exercise of Option

An option may be accepted by a participant from the date of the offer of grant of the option within the offer period as set out in the relevant offer letter issued to by the Company to such participant.

An option may be exercised in accordance with the terms of the Post-IPO Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination under the Post-IPO Share Option Scheme. Unless otherwise determined by our Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Post-IPO Share Option Scheme for the holding of an option before it can be exercised.

Report of Directors

Performance Targets

Unless our Directors otherwise determine and state in the offer of the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Post-IPO Share Option Scheme can be exercised.

Subscription Price

The subscription price per Share under the Post-IPO Share Option Scheme will be a price determined by our Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer of grant (provided that in the event that any option is proposed to be granted within a period of less than five business days after the trading of the Shares first commences on the Stock Exchange, the new issue price of the Shares for the global offering shall be used as the closing price for any business day falling within the period before Listing); or (iii) if the Shares are not so quoted or traded, the fair market value of a Share as determined by the compensation committee of the Board.

Period of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme is effective for a period of 10 years from 6 June 2020 and the remaining life of the Scheme is around 7 years.

Option Granted

No share options were granted, exercised, cancelled or lapsed under the Post-IPO Option Scheme during the period from the Listing Date to the date of this report.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

For the year ended 31 December 2022, we did not generate any revenue from product sales and the percentage of the total sales attributable to the Group's customer was nil. Our other income primarily represented (1) income received from provision of cell cryopreservation services; (2) interest income on bank deposits; (3) interest income from lease deposits; (4) government grants.

Report of Directors

Major Suppliers

Our major suppliers primarily include (i) suppliers of our equipment and raw materials; and (ii) CROs, SMOs, and other R&D and quality evaluation service providers which we engaged to conduct clinical and pre-clinical studies on our product candidates. For the year ended 31 December 2022, purchases from the Group's five largest supplier for the year accounted for approximately 68.1% (2021: 48.0%) of the Group's total purchase amount in the same year. The Group's largest supplier for the year ended 31 December 2022 accounted for approximately 33.0% (2021: 15.8%) of the Group's total purchase amount for the same year.

PRE-EMPTIVE RIGHTS

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

SUBSIDIARIES

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the Reporting Period are set out in note 16 to the consolidated financial statements in this report.

TAX RELIEF AND EXEMPTION

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

DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group and of the Company during the Reporting Period are set out in the consolidated statement of changes in equity and note 41 to the consolidated financial statements in this report.

As at 31 December 2022, the Company had distributable reserves for share premium of RMB1,402,498,000 (2021: RMB1,402,498,000).

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the year ended 31 December 2022.

The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the year ended 31 December 2022.

Report of Directors

CONNECTED TRANSACTIONS

During the Reporting Period, no related party transactions disclosed in note 38 to the financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules. The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the continuing connected transactions entered into by the Group during the year.

Continuing Connected Transaction

As disclosed in the Prospectus, the following transactions of the Group constituted non-exempted continuing connected transactions for the Group for the Reporting Period. Please see "Contractual Arrangements" in the Prospectus for further details.

Non-exempt Continuing Connected Transactions

We set out below a summary of the continuing connected transactions for our Group, which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Contractual Arrangements

Beijing Yongtai entered into a series of contractual arrangements (the "**Contractual Arrangements**") with Yongtai Ruike and the Registered Shareholders of Yongtai Ruike, under which the Company gained management control cover the operations of, and enjoy substantially all the economic benefits of the business currently operating by Yongtai Ruike. The Contractual Arrangements allow the financial results of the Consolidated Affiliated Entity to be consolidated and accounted for as if they were subsidiaries of our Company.

REASONS FOR THE CONTRACTUAL ARRANGEMENT

We engage in the business of development and application of immunotherapy, including the business of development and application of CAR-T and TCR-T cell therapies (the "**Relevant Businesses**") in the PRC, which is considered to fall in the prohibited foreign-invested industries both in the Catalogue for the Guidance of Foreign Investment Industries (Revision 2017) (外商投資產業指導目錄(2017年修訂)) and the Special Administrative Measures on Access of Foreign Investment (Negative List) (Edition 2020) (外商投資准入特別管理措施(負面清單)(2020年版)), where this type of foreign investment is subject to restrictions under the PRC laws and regulations. The Relevant Businesses are carried out by Yongtai Ruike, and thus, we cannot directly or indirectly hold the equity of Yongtai Ruike. For further details of the limitations on foreign ownership in PRC companies conducting R&D and application of technologies of human stem cell and gene diagnosis and treatment, and the licensing and approval requirement applicable to our business under the PRC laws and regulations, see "Regulatory Overview – 1. Regulations on Company Establishment and Foreign Investment" in the Prospectus.

Since the Relevant Businesses are classified as foreign investment prohibited businesses under applicable PRC laws, regulations or rules, in order to comply with PRC laws and regulations and maintain effective control over our research in the R&D and application field, our Group entered into the Contractual Arrangements with Yongtai Ruike and the Registered Shareholders. Under the Contractual Arrangements, Beijing Yongtai has acquired effective control over the financial and operational management and results of Yongtai Ruike and is entitled to all the economic benefits derived from the operations of Yongtai Ruike.

Report of Directors

Risks relating to the Contractual Arrangements

We believe the following risks are associated with the Contractual Arrangements. Further details of these risks are set out in pages 78 to 83 of the Prospectus.

- If the PRC government finds that the agreements that establish the structure for operating our gene therapy business in China do not comply with PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences and the relinquishment of our interests in Yongtai Ruike.

- There is substantial uncertainty with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance, and business operations.

- Our Contractual Arrangements may not be as effective in providing operational control as direct ownership and our Consolidated Affiliated Entity and the Registered Shareholders may fail to perform their obligations under our Contractual Arrangements.

- We may lose the ability to use the permits, licences, and intellectual properties held by Yongtai Ruike that are important to the operation of our business if Yongtai Ruike declares bankruptcy or becomes subject to a dissolution or liquidation proceeding.

- Our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities and additional taxes may be imposed. A finding that we owe additional taxes could substantially reduce our consolidated net income and the value of your investment.

- Certain of the terms of the Contractual Arrangements may not be enforceable under PRC laws.

- If we exercise the option to acquire equity ownership of Yongtai Ruike, the ownership transfer may subject us to certain limitations and substantial costs.

Summary of Major Terms of the Contractual Arrangements

A brief description of the major terms of the structured contracts under the Contractual Arrangements, which were in place during the Reporting Period, are as follows:

Exclusive Option and Equity Entrustment Agreement

Beijing Yongtai and the Registered Shareholders entered into an exclusive option and equity entrustment agreement on 10 September 2018 (the "**Exclusive Option and Equity Entrustment Agreement**"), pursuant to which (i) Beijing Yongtai, or any third party designated by Beijing Yongtai (the "**Designee**"), was granted an irrevocable and exclusive right to purchase from each of the Registered Shareholders all or any part of their equity interests in Yongtai Ruike at a fixed exercise price (the "**Exercise Price**") and/or from Yongtai Ruike all or any part of its assets or interests in any of its assets at the Exercise Price, and in the event of purchase of any part of its assets or interests, at a consideration with reference to the relevant portion of assets or interests to be purchased, and (ii) the Registered Shareholders irrevocably entrusted their equity interest in Yongtai Ruike and the equity interests or rights hold by Yongtai Ruike to Beijing Yongtai or any Designee. Pursuant to the Exclusive Option and Equity Entrustment Agreement, in the event that the Exercise Price exceeds RMB1.00 as required by the PRC laws at the time of Beijing Yongtai exercises its purchase right, the Registered Shareholders shall return any amount of purchase price exceeding RMB1.00 to Beijing Yongtai. At Beijing Yongtai's request, the Registered Shareholders and/or Yongtai Ruike will promptly and unconditionally transfer their respective equity interest in and/or assets of Yongtai Ruike to Beijing Yongtai (or its Designee) after Beijing Yongtai exercises its purchase right. The Exclusive Option and Equity Entrustment Agreement will remain effective until the purchase right thereunder is exercised.

Report of Directors

Exclusive Business Cooperation Agreement

Beijing Yongtai, Yongtai Ruike and the Registered Shareholders entered into an exclusive business cooperation agreement on 10 September 2018 (the "**Exclusive Business Cooperation Agreement**"), pursuant to which Yongtai Ruike agrees to engaged Beijing Yongtai as its exclusive provider of management, consultancy, technical support, business support and logistics services.

Under the Exclusive Business Cooperation Agreement, the service fees, subject to Beijing Yongtai's adjustment shall consist of all of the profit before taxes of Yongtai Ruike. Beijing Yongtai may adjust the service fees at its sole discretion, taking into consideration of certain factors, including but not limited to the difficulty and complication of such service, the market price of the same or similar services, and operating expenses. The service fees shall be paid annually by Yongtai Ruike upon receipt of the payment notice issued by Beijing Yongtai.

Pursuant to the Exclusive Business Cooperation Agreement, Beijing Yongtai has the exclusive and proprietary rights to all intellectual properties developed by Yongtai Ruike.

The Exclusive Business Cooperation Agreement shall remain effective until (i) Yongtai Ruike, or its subordinate entities, branches or subsidiaries committed any breach and fail to rectify the breach within 30 days after the written notice of Beijing Yongtai; (ii) the dissolution, liquidation, bankruptcy, termination of business or business license being revoked or similar circumstances of Yongtai Ruike; (iii) 30 days after Beijing Yongtai issues a written notice to terminate the agreement; or (iv) Beijing Yongtai exercises its exclusive option to purchase the entire equity interests of the Registered Shareholders in Yongtai Ruike or the entire assets of Yongtai Ruike pursuant to the terms of the Exclusive Option and Equity Entrustment Agreement.

Share Pledge Agreement

Beijing Yongtai, Yongtai Ruike and the Registered Shareholders entered into a share pledge agreement on 10 September 2018 (the "**Share Pledge Agreement**"), pursuant to which the Registered Shareholders pledge all of their respective equity interests in Yongtai Ruike to Beijing Yongtai as collateral security to guarantee performance of their contractual obligations under the Exclusive Option and Equity Entrustment Agreement, the Exclusive Business Cooperation Agreement and the Powers of Attorney (as defined below).

The pledge in respect of the equity in Yongtai Ruike takes effect upon completion of registration with the relevant administrative authorities, and shall be recorded on the register of shareholders and capital contribution certificate of the Registered Shareholders. If any of the items filed with the authorities under the Share Pledge Agreement shall be amended or updated, Yongtai Ruike shall amend such items within 10 days upon the relevant events occur.

Should an event of default (as provided in the Share Pledge Agreement) occurs, unless it is successfully resolved to Beijing Yongtai's satisfaction within 10 days upon being notified by Beijing Yongtai, Beijing Yongtai by issuing written notification may exercise its right of pledge immediately or any time thereafter pursuant to the Share Pledge Agreement. The Registered Shareholders have agreed to irrevocably waive their pre-emptive right as existing shareholders when Beijing Yongtai exercises such right of pledge.

The Share Pledge Agreement will not terminate until (i) all obligations of Yongtai Ruike and the Registered Shareholders are satisfied in full; or (ii) Beijing Yongtai exercises its exclusive option to purchase the entire equity interests of the Registered Shareholders in Yongtai Ruike and/or the entire assets of Yongtai Ruike pursuant to the terms of the Exclusive Option and Equity Entrustment Agreement.

The pledges under the Share Pledge Agreement have been duly registered with the relevant PRC legal authority pursuant to the PRC laws and regulations.

Powers of Attorney

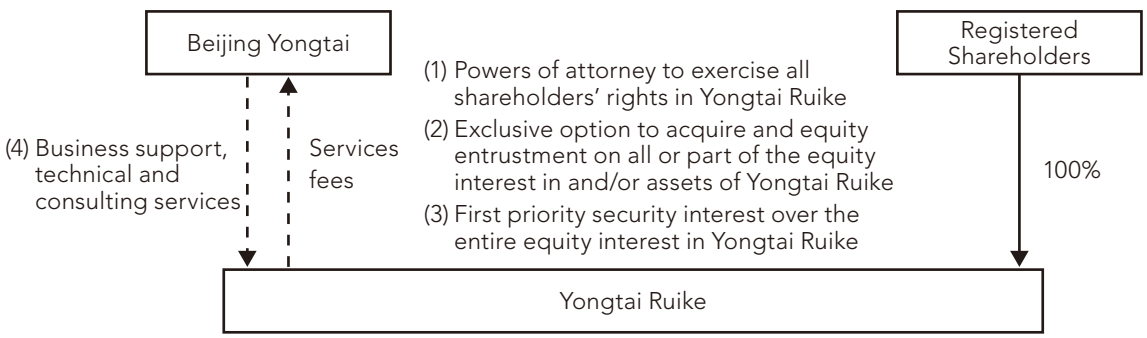
Beijing Yongtai and the Registered Shareholders entered into an irrevocable power of attorney on 10 September 2018 (the "**Powers of Attorney**"), pursuant to which the Registered Shareholders appointed Beijing Yongtai and/or its designated persons as their exclusive agent and attorney to act on their behalf on all matters concerning Yongtai Ruike and to exercise all of their rights as shareholder of Yongtai Ruike.

As a result of the Powers of Attorney, the Company, through Beijing Yongtai, is able to exercise management control over the activities that most significantly impact the economic performance of Yongtai Ruike. The Powers of Attorney will be automatically terminated on the earlier of (i) the date the Registered Shareholder ceases to be the shareholder of Yongtai Ruike; (ii) the expiry date of operating period of Yongtai Ruike; and (iii) expiry date of legally extended operating period of Yongtai Ruike (if any). In addition, the Registered Shareholders and Beijing Yongtai undertake to terminate the Powers of Attorney once Beijing Yongtai is allowed to directly hold equity interests in Yongtai Ruike and operate the relevant business once permitted under the then PRC laws.

Spousal Undertakings

The spouse of Mr Tan has executed an irrevocable undertaking dated 10 September 2018, pursuant to which the spouse of Mr Tan expressly, unconditionally and irrevocably acknowledged and has undertaken that (i) any equity interests held by his spouse as a Registered Shareholder in Yongtai Ruike do not fall within the scope of their communal properties; (ii) his spouse will not take any measures that are in conflict with the Contractual Arrangements; and (iii) if regulatory authorities demand his spouse to amend the spousal undertakings, they will unconditionally cooperate in an overall and timely way.

The following simplified diagram illustrates the flow of economic benefits from Yongtai Ruike to Beijing Yongtai stipulated under the Contractual Arrangements:



Apart from the above, there are no other new contractual arrangements entered into, renewed or reproduced between the Group and the Yongtai Ruike during the Reporting Period. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted for the Reporting Period.

For the Reporting Period, none of the Contractual Arrangements has been unwound as none of the restrictions that led to the adoption of structured contracts under the Contractual Arrangements has been removed.

Report of Directors

We have been advised by our PRC Legal Advisors that the Contractual Arrangements are not in violation of applicable PRC laws and regulations, except that the Contractual Arrangements provide that the arbitral body may award remedies over the shares and/or assets of Yongtai Ruike, injunctive relief and/or winding up of Yongtai Ruike, and that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal, while under PRC laws, an arbitral body has no power to grant injunctive relief and may not directly issue a provisional or final liquidation order for the purpose of protecting assets of or equity interests in Yongtai Ruike in case of disputes. In addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognisable or enforceable in China.

Yongtai Ruike did not record any revenue during the Reporting Period.

Notes:

(1) Please refer to "Powers of Attorney" for details.

(2) Please refer to "Exclusive Option and Equity Entrustment Agreement" for details.

(3) Please refer to "Share Pledge Agreement" for details.

(4) Please refer to "Exclusive Business Cooperation Agreement" for details.

"——" denotes direct legal and beneficial ownership in the equity interest and "- - -" denotes contractual relationship.

Mitigation Actions taken by the Company

Our management works closely with our executive Directors and our external legal counsels and advisors to monitor the regulatory environment and developments in PRC laws and regulations to mitigate the risks associated with the Contractual Arrangements.

Listing Rule Implications

The highest applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the transactions associated with the Contractual Arrangements are expected to be more than 5%. As such, the transactions will be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Waiver from the Stock Exchange

The Stock Exchange has granted the Company a waiver pursuant to Rule 14A.105 of the Listing Rules from (i) strict compliance with the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions under the Contractual Arrangements; (ii) setting a maximum aggregate annual value, i.e. an annual cap for the fees payable to Beijing Yongtai from Yongtai Ruike under the Contractual Arrangements; and (iii) fixing the term of the Contractual Arrangements to three years or less, for so long as the Shares are listed on the Stock Exchange subject to the following conditions:

a) no change without the independent non-executive Directors' approval;

b) no change without independent shareholders' approval;

c) the Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the Consolidated Affiliated Entity;

d) the Contractual Arrangements may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the Contractual Arrangements; and

e) our Group will disclose the details relating to the Contractual Arrangements on an ongoing basis.

No transactions under the Contractual Arrangements were carried out during the Reporting Period and no dividends or other distributions have been made by Consolidated Affiliated Entity to the holders of its equity interests in connection with the Contractual Arrangements during the Reporting Period.

Confirmation from Independent Non-executive Directors

Our independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that (i) no transactions were carried out during the Reporting Period; (ii) no dividends or other distributions have been made by the Consolidated Affiliated Entity to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group during the Reporting Period; (iii) no new contracts had been entered into, renewed or reproduced between the Group and the Consolidated Affiliated Entity during the Reporting Period; and (iv) the Contractual Arrangements were entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, and according to the relevant agreement governing the Contractual Arrangements on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Confirmation from the Company's Independent Auditor in relation to the Continuing Connected Transactions

Deloitte Touche Tohmatsu, the Company's independent Auditor, was engaged to carry out procedures on the Group's continuing connected transactions in connection with the Share Pledge Agreement and the Exclusive Business Corporation Agreement for the year ended 31 December 2022 in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Since no continuing connected transactions has taken place during the year ended 31 December 2022, accordingly, Deloitte Touche Tohmatsu has not performed the procedures described in the Main Board Listing Rule 14A.56 with respect to the continuing connected transactions in connection with the Share Pledge Agreement and the Exclusive Business Corporation Agreement for the year ended 31 December 2022, and Deloitte Touche Tohmatsu stated in its letter that it does not express a conclusion on such continuing connected transactions.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standard of corporate governance to safeguard the interests of the Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

Report of Directors

The Company's corporate governance practices are based on the principles and code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules and the Company has adopted the CG code as its own code of corporate governance. The CG Code has been applicable to the Company with effect from the Listing Date. The Board is of the view that the Company has complied with the applicable code provisions as set out in the CG Code since the Listing Date up to the date of this report. The Board will periodically review and enhance its corporate governance practices to ensure that the Company continues to meet the requirements of the CG Code.

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 57 to 70 of this report.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made to each Director and all Directors have confirmed that they have complied with the applicable standards set out in the Model Code since the Listing Date and up to the date of this report. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company.

RIGHTS TO ACQUIRE THE COMPANY'S SECURITIES AND EQUITY-LINKED AGREEMENTS

At no time during the Reporting Period was the Company, or any of its holding companies or subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company or their respective associates to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, nor did the Company enter into any equity-linked agreement.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme, no arrangement has been made by the Company or any of its subsidiaries for any Director 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 debt securities 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.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in the section headed "Management Discussion and Analysis – Business Review – Events after the Reporting Period", no important events affecting the Company occurred since the Reporting Period and up to the date of this annual report.

Report of Directors

USE OF NET PROCEEDS FROM LISTING AND OVER-ALLOTMENT OPTION

The Shares were listed on the Stock Exchange on 10 July 2020. Subsequently, the Company announced that the over-allotment option described in the Prospectus was partially exercised by the joint representatives, on behalf of the international underwriters, on 31 July 2020, in respect of an aggregate of 14,584,000 Shares representing approximately 14.58% of the total number of the Shares initially available under the Global Offering before any exercise of the over-allotment option to facilitate the return to Tan Zheng Ltd of the borrowed Shares under the stock borrowing agreement which were used to cover over-allocations in the international offering.

After deducting the underwriting fees and commissions, other listing expenses and other expenses in connection with the exercise of the initial Global Offering and the exercise of the over-allotment option, the net proceeds amounted to approximately HK$1,127.8 million. As at the date of this report, the Company used a total of approximately HK$1,067.2 million of the proceeds, including approximately HK$382.7 million for investment in the ongoing clinical trial and commercialisation of EAL®, approximately HK$322.7 million for investments in CAR-T-19 clinical trial and TCR-T product series candidates, approximately HK$212.5 million for R&D expenditure in connection with expansion of other clinical indications for EAL®, approximately HK$95.8 million for development of other product candidates in the product pipeline including R&D expenditure and the construction costs of new R&D and production centres and approximately HK$53.5 million for working capital and other general corporate purposes. The Company intends to apply such net proceeds in accordance with the purposes as set out in the Prospectus.

The table below sets out the planned applications of the net proceeds from the global offering the over-allotment option and actual usage up to the date of this report:

Use of Proceeds	Allocation of the net proceeds from the Global Offering (HK$ million)	Percentage of total net proceeds (%)	Unutilised amount (as at 1 January 2022) (HK$ million)	Utilised amount (from the Listing date to 31 December 2022) (HK$ million)	Utilised amount (from 1 January 2022 to 31 December 2022) (HK$ million)	Unutilised amount (as at the date of this report) (HK$ million)	Expected timeline of full utilisation of the remaining proceeds from the Global Offering as at 31 December 2022
For investment in the ongoing clinical trial and commercialisation of EAL®	385.6	34.2	25.4	382.7	22.5	2.9	By the end of 2023
For R&D expenditure in connection with expansion of other clinical indications for EAL®	213.2	18.9	169.4	212.5	168.7	0.7	By the end of 2025
For investments in CAR-T-19 clinical trial and TCR-T product series candidates	374.5	33.2	146.0	322.7	94.2	51.8	By the end of 2025

Report of Directors

Use of Proceeds	Allocation of the net proceeds from the Global Offering (HK$ million)	Percentage of total net proceeds (%)	Unutilised amount (as at 1 January 2022) (HK$ million)	Utilised amount (from the Listing date to 31 December 2022) (HK$ million)	Utilised amount (from 1 January 2022 to 31 December 2022) (HK$ million)	Unutilised amount (as at the date of this report) (HK$ million)	Expected timeline of full utilisation of the remaining proceeds from the Global Offering as at 31 December 2022
Development of other product candidates in the product pipeline including R&D expenditure and the construction costs of new R&D and production centres	98.1	8.7	37.9	95.8	35.6	2.3	By the end of 2025
Working capital and other general corporate purposes	56.4	5.0	7.1	53.5	4.2	2.9	By the end of 2023
Total	**1,127.8**	**100.0**	**385.8**	**1,067.2**	**325.2**	**60.6**	

(1) The expected timeline of full utilisation is based on the Directors' best estimation barring unforeseen circumstances.

For the Company's planned usage of the use of proceeds as described above, the Company expects the net proceeds will be used up by 2025.

PUBLIC FLOAT

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

PERMITTED INDEMNITY PROVISIONS

The Articles of Association provides that every Director, auditor or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director, auditor or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted. Subject to the Companies Law (2013 Revision) of the Cayman Islands, if any Director or other person shall become personally liable for the payment of any sum primarily due from the Company, the Board may execute or cause to be executed any mortgage, charge, or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Director or person so becoming liable as aforesaid from any loss in respect of such liability. Such provisions were in force throughout the Reporting Period and are currently in force. The Company has arranged for appropriate insurance cover for Directors' liabilities in respect of legal actions that may be brought against the Directors.

Report of Directors

CHANGE OF DIRECTORS

Details of change of directors during the Reporting Period are set out below:

(1) Mr Wang Ruihua has been appointed as a non-executive Director with effect from 24 March 2023;

(2) Mr Yang Fan has been appointed as a non-executive Director with effect from 24 March 2023;

(3) Mr Jung Hyun Chul has resigned as an executive Director with effect from 24 March 2023; and

(4) Mr Lu Yuan has resigned as a non-executive Director with effect from 24 March 2023.

For details, please refer to the announcement of the Company dated 26 March 2023.

CHANGES IN INFORMATION OF DIRECTORS

Save as disclosed, there has been no change in the Directors' biographical details which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on Thursday, 25 May 2023. A notice convening the AGM and all other relevant documents will be published and dispatched to the Shareholders of the Company in the manner required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the members' eligibility to attend and vote at the AGM, the Company's register of members will be closed from Monday, 22 May 2023 to Thursday, 25 May 2023, both dates inclusive, during which period no transfer of share will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of Share shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Friday, 19 May 2023.

Report of Directors

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the accounting principles and policies adopted by the Group and discussed the Group's risk management, internal controls and financial reporting matters with the management. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the Reporting Period.

AUDITOR

Deloitte Touche Tohmatsu, Certified Public Accountants is appointed as the Auditor for the financial statements as for the Reporting Period prepared in accordance with IFRS. Such Financial Statements prepared in accordance with IFRS as stated herein this annual report have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants and a standard unqualified audit report has been issued.

Since the Listing Date and up to Reporting Period, there was no change in the auditor of the Company.

Deloitte Touche Tohmatsu will retire at the forthcoming AGM and being eligible offer themselves for reappointment.

By report of
the Board of Directors
Tan Zheng
Chairman

Corporate Governance Report

The Board is pleased to present the corporate governance report for the Company for the year ended 31 December 2022.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders and to enhance corporate value and accountability.

The Company has adopted the principles and code provisions contained in the CG Code as set out in Appendix 14 to the Listing Rules.

The Board is of the view that the Company has complied with the applicable code provisions as set out in the CG Code for the year ended 31 December 2022.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 14 to the Listing Rules to regulate all dealings by Directors and relevant employees in securities of the Company and other matters covered by the Model Code.

Specific enquiry has been made to each Director and all Directors have confirmed that they have complied with the applicable standards set out in the Model Code throughout the year ended 31 December 2022. No incident of noncompliance of the Model Code by the employees was noted by the Company as at the date of this report.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises nine Directors, including two executive Directors, four non-executive Directors and three independent non-executive Directors.

The Board's composition is in compliance with the requirement under Rule 3.10A of the Listing Rules that the number of independent non-executive Directors must represent at least one-third of the Board. The Board believes that the balance between the executive Directors and the non-executive Directors is reasonable and adequate to provide sufficient checks and balances that safeguard the interests of the Shareholders and the Group.

The composition of the Board is as follows:

Executive Directors

Mr Tan Zheng *(Chairman)*
Dr Wang Yu *(CEO)*
Mr Jung Hyun Chul *(resigned on 24 March 2023)*

Non-executive Directors

Mr Si Xiaobing
Mr Lu Yuan *(resigned on 24 March 2023)*
Mr Tao Ran
Mr Yang Fan *(appointed on 24 March 2023)*
Mr Wang Ruihua *(appointed on 24 March 2023)*

Corporate Governance Report

Independent Non-executive Directors

Professor Wang Yingdian
Mr Ng Chi Kit
Ms Peng Sujiu

Biographical details of the current Directors are set out in the section headed "Directors and Senior Management" on pages 22 to 28 of this report.

None of the members of the Board is related to one another.

GENERAL MEETINGS, BOARD MEETINGS AND SHAREHOLDERS' ATTENDANCE RECORDS

Code provision C.5.1 of the CG Code prescribes that at least four regular Board meetings should be held in each year at approximately quarterly intervals with active participation of majority of directors, either in person or through electronic means of communication.

During the year ended 31 December 2022, the Company held five Board meetings and one general meeting. Attendance records of the Directors at Board meetings and general meetings are set out in the table below:

Name of Directors	Board Meetings Attended/ Held as of 31 December 2022	General Meeting Attended/ Held as of 31 December 2022
Executive Directors		
Mr Tan Zheng *(Chairman)*	5/5	1/1
Dr Wang Yu *(CEO)*	5/5	1/1
Mr Jung Hyun Chul *(resigned on 24 March 2023)*	4/5	1/1
Non-executive Directors		
Mr Si Xiaobing	4/5	1/1
Mr Lu Yuan *(resigned on 24 March 2023)*	5/5	1/1
Mr Tao Ran	5/5	1/1
Independent Non-executive Directors		
Professor Wang Yingdian	5/5	1/1
Mr Ng Chi Kit	5/5	1/1
Ms Peng Sujiu	5/5	1/1

Corporate Governance Report

CHAIRMAN AND CEO

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr Tan Zheng is the Chairman of the Board and is responsible for the leadership of the Company, the effective operation of the Board, the overall management of the Board and the Company, the implementation of decisions for the Company and its operations, and the supervision of the Group's regulation, commercial practicability and sustainability. Dr Wang Yu is the CEO of the Company and is responsible for the Company's business development and daily management and operations according to the authorisation of the Board.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the Reporting Period, 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 not less than one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent in accordance with the Independence requirement set out in the Listing Rules.

The Company has established channels through formal and informal means whereby independent non-executive Directors can express their views in an open and candid manner. These include periodic Board reviews, dedicated meeting sections with the Chairman and interaction with management and other Board members including the Chairman outside the boardroom. The Board will review the implementation and effectiveness of the abovementioned mechanism on an annual basis to ensure that independent views and input are available to the Board.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the Directors is engaged on a service contract (in the case of the executive Directors) or a letter of appointment (in the case of the non-executive Directors and independent non-executive Directors) for a specific term of three years, which is renewable by mutual consent and subject to the Articles of Association.

The Articles of Association provides that all Directors appointed to fill a casual vacancy or as an addition to the Board shall be subject to election by Shareholders at the next following general meeting of the Company.

Every Director (including those appointed for a specific term) shall also be subject to retirement and re-election by rotation at least once every three years at the annual general meetings of the Company under the Articles of Association.

RESPONSIBILITIES OF THE DIRECTORS

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

Corporate Governance Report

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

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. All Directors have carried out their duties in good faith and in compliance with applicable laws and regulations, and have acted in the interests of the Company and the Shareholders at all times.

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.

The Board has reviewed the implementation and effectiveness of the mechanism to ensure that the Board can obtain independent views and input. After considering the following channels, the Nomination Committee believes that the Company maintains an effective mechanism to ensure strong and sufficient independent elements on the Board:

– All independent non-executive Directors share their views and opinions through regular quarterly meetings with core department heads, and specific business departments are also invited to participate in such meetings at the request of independent non-executive Directors; and

– Independent non-executive Directors are assigned on-site visit to deepen their understanding of the Company's new and old projects.

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

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

The Company arranges appropriate insurance coverage for Directors and senior management, and the insurance coverage is reviewed annually.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing particular aspects of the Company's affairs. Each of these committees has been provided sufficient resources to perform its duties. Each of these committees has access to independent professional advice at Company's expense to perform its responsibilities, if necessary. Each of these committees is established with defined written terms of reference.

Corporate Governance Report

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting, risk management and internal controls system of the Group, review and approve related party transactions and to advise the Board. The terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

As at the date of this report, the Audit Committee consists of three members, being two independent non-executive Directors, namely Mr Ng Chi Kit, who is the chairman of the Audit Committee, Professor Wang Yingdian, and one non-executive Director, namely Mr Tao Ran. Mr Ng Chi Kit is an independent non-executive Director possessing the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

The primary duties of the Audit Committee are to provide the Directors with an independent review of the effectiveness of the financial reporting process, internal control and risk management system of the Group, to oversee the audit process and to perform other duties and responsibilities as assigned by the Directors. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2022 and has met with the independent Auditor, Deloitte Touche Tohmatsu, Certified Public Accountants. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company.

During the year ended 31 December 2022, the Audit Committee has convened four meetings, during which the Audit Committee has performed the following major works:

- discuss the audit plan prepared by Deloitte Touche Tohmatsu for the audit of the Company's results for the year ended 31 December 2021;
- reviewed the annual results announcement and the annual report of the Group for the year ended 31 December 2021;
- reviewed the interim results announcement and the interim report of the Group for the six months ended 30 June 2022;
- reviewed and approved the drafted audited consolidated financial statements of the Group and the reports of the Directors and independent Auditor of the Company for the Reporting Period, and recommended to the Board for approval;
- reviewed the effectiveness of the financial reporting system, risk management and internal control system of the Company as of 31 December 2022. The Audit Committee considered that the internal review and risk management functions of the Company were reasonable, effective and adequate;
- discuss the audit plan prepared by Deloitte Touche Tohmatsu for the audit of the Company's results for the year ended 31 December 2022; and
- approve that written pre-approval/consent and communication policies and procedures may be used for pre-approval/consent of non-forensic services and communication of requirements in the *International Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants.

Corporate Governance Report

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

Name of Members of the Audit Committee	Attendance/ Number of Meeting(s)
Ng Chi Kit	4/4
Tao Ran	4/4
Wang Yingdian	4/4

REMUNERATION COMMITTEE

The Company established the Remuneration Committee in compliance with Rule 3.25 of the Listing Rules and the CG Code. The primary duties of the Remuneration Committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to the Directors (both executive and non-executive Directors) and other senior management and reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules. The terms of reference of the Remuneration Committee are available on the websites of the Company and the Stock Exchange.

The Remuneration Committee comprises three Directors, namely Mr Ng Chi Kit, Ms Peng Sujiu and Professor Wang Yingdian. Professor Wang Yingdian is the chairman of the Remuneration Committee.

During the year ended 31 December 2022, the Remuneration Committee has convened one meeting, during which the Remuneration Committee has performed the following major works:

– review and confirm the Company's remuneration arrangements for directors and senior management in 2021;

– review and advise the Board of Directors on the Company's remuneration policy and structure for directors and senior management in 2022; and

– recommend the remuneration of individual executive directors and senior management to the Board.

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

Name of Members of the Remuneration Committee	Attendance/ Number of Meeting(s)
Wang Yingdian	1/1
Ng Chi Kit	1/1
Peng Sujiu	1/1

Corporate Governance Report

Details of the remuneration payable to each Director of the Company for the year ended 31 December 2022 are set out in Note 12 to the financial statements.

Pursuant to code provision E.1.5 of the CG Code, details of the remuneration of the senior management (other than Directors) by bands for the year ended 31 December 2022 is set out below:

	Number of employee(s)
Nil to HK$1,000,000	3
HK$1,000,001 to HK$2,000,000	–
HK$2,000,001 to HK$2,500,000	–
HK$4,500,001 to HK$5,000,000	–

NOMINATION COMMITTEE

The Company has established the Nomination Committee in compliance with the CG Code. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment or re-appointment of Directors and management of Board succession, reviewing the structure, size and composition of the Board and access the independence of independent non-executive Directors. The terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

The Nomination Committee comprises one executive Director, namely Mr Tan Zheng, and two Independent Non-executive Directors, namely Ms Peng Sujiu and Professor Wang Yingdian. Mr Tan Zheng is the chairman of the Nomination Committee.

During the year ended 31 December 2022, the Nomination Committee has convened one meeting, during which the Nomination Committee has performed the following major works:

– assessed the independence of the independent non-executive Directors of the Company;

– made recommendations to the annual general meeting on retirement by rotation and re-election of Directors at the forthcoming annual general meeting;

– reviewed the structure, size and diversity of the Board of the Company; and

– reviewed the board diversity policy and director nomination policy of the Company.

Corporate Governance Report

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

Name of Members of the Nomination Committee	Attendance/ Number of Meeting(s)
Tan Zheng	1/1
Peng Sujiu	1/1
Wang Yingdian	1/1

BOARD DIVERSITY POLICY

The Company has adopted a board diversity policy (the "**Diversity Policy**") in accordance with the CG Code, which sets out the approach to achieve diversity of the Board. The Company embraces the benefits of having a diverse Board to maintain the Company's competitive advantage and enhance its ability to attract, retain and motivate employees from the widest possible pool of available talent. Pursuant to the Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of aspects, including, but not limited to, gender, age, race, nationality, language ability, technical and professional knowledge and skills, professional qualifications, regional and industry experience, educational and cultural background, industry knowledge and reputation.

The Company is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered. The nomination committee will discuss and agree periodically on the measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption. As of 31 December 2022, two out of the Company's nine Board members were females and achieve the gender diversity of the Board of approximately 22.22%, and the Company will continue to apply the merit-based appointment principle in accordance with our Diversity Policy.

As at 31 December 2022, the male to female ratio across all level of the Group is approximately 4:5. The Group targets to maintain the current gender ratio and will continue to review and monitor the gender ratio and make the relevant adjustment if necessary to reflect further business development. Details of gender equality of workforce and inclusive policies and data are set out in section headed "V.1. Employment" in the ESG report.

During the Reporting Period, the Board and the Nomination Committee has reviewed the implementation of the Diversity Policy and its continued effectiveness.

DIRECTOR NOMINATION POLICY

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

The Nomination Committee reviews and evaluates the composition of the Board and the independence of independent non-executive Directors. The Nomination Committee identifies individuals who are eligible to become members of the Board of Directors, and after considering the Diversify Policy of the Board and other factors related to the company, selects and nominates relevant individuals to serve as directors or makes recommendations to the Board on this matter. In recommending candidates for appointment to the Board, the Nomination Committee will assess candidates' strengths against objective criteria and will consider the benefits and diversity of the Board.

Corporate Governance Report

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing the functions set out in code provision A.2.1 of the CG Code.

The Board would review the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, and the Company's compliance with the CG Code and disclosure in its corporate governance report.

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

DIVIDEND POLICY

The Company adopted a dividend policy in accordance with the CG Code. The Company does not have any predetermined dividend payout ratio and intends to retain most, if not all, of available funds and any future earnings to operate and expand the business of the Company. Dividends may only be declared and paid out of the profits and reserves of the Company lawfully available for distribution (including share premium), and in no circumstances may a dividend be paid if this would result in the Company being unable to pay its debts as they fall due in the ordinary course of business. The Dividend Policy also outlines the factors that the Board should take into account in determining any dividend for distribution to the Shareholders, including future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the Board considers relevant. Any future dividend payments to the Shareholders will also depend upon the availability of dividends received from the Group's subsidiaries.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2022.

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

The statement of the independent Auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 122 to 123 of this report.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

The Company acknowledges the importance of directors participating in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. The Company encourages the Directors to attend relevant training courses at the Company's expenses.

Corporate Governance Report

From time to time, the Company arranges updates on the latest developments and changes in the Listing Rules and other relevant regulatory requirements for the Directors. The Company also releases updates on the performance, position and prospects of the Company to the Directors in a timely manner to ensure the Board as a whole and each Director to discharge their duties.

During the year ended 31 December 2022, Directors' participation in continuous professional development is set out in the table below:

Name of Directors	Participation in Continuous Professional Development
Executive Directors	
Mr Tan Zheng *(Chairman)*	✓
Dr Wang Yu *(CEO)*	✓
Mr Jung Hyun Chul *(resigned on 24 March 2023)*	✓
Non-executive Directors	
Mr Si Xiaobing	✓
Mr Lu Yuan *(resigned on 24 March 2023)*	✓
Mr Tao Ran	✓
Independent Non-executive Directors	
Professor Wang Yingdian	✓
Mr Ng Chi Kit	✓
Ms Peng Sujiu	✓

AUDITOR'S REMUNERATION

The Company appointed Deloitte Touche Tohmatsu, Certified Public Accountants as the external auditor for the year ended 31 December 2022. A statement by Deloitte Touche Tohmatsu about their reporting responsibilities for the financial statements is included in the Independent Auditor's Report on pages 122 to 123.

Corporate Governance Report

Details of the fees paid/payable in respect of the audit and non-audit services provided by Deloitte Touche Tohmatsu for the year ended 31 December 2022 are set out in the table below:

Service Category	Fees Paid/ Payable (RMB'000)
Audit services	1,950
Non-audit services	
– Interim review services	860
Total	**2,810**

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board recognises its responsibility for the risk management and internal control system and the review of its effectiveness. The system aims to manage but not eliminate risks arising from the failure in achieving business objectives, and is only able to provide reasonable but not absolute assurance that there will be no material misstatement or loss.

We are fully aware of the importance of risk management to business operations. The Company has established and continues to improve the risk management mechanism, fully implements risk prevention and control policies and conducts regular risk assessments in the course of business operations, in order to identify risks (including ESG risks) that are likely to have certain impacts on the business planning and structure, operational and financial procedures, regulatory compliance and other aspects of the Company. The management and heads of all departments will discuss and formulate response plans and will submit reports to the Audit Committee and the Board on all issues related to risk management effectiveness.

Details of ESG management are set out in section headed "II. ESG MANAGEMENT" in the ESG report.

The management of the Company regularly re-examines the internal control policies and procedures and make updates when necessary. Each department of the Company will conduct a self-assessment regularly to ensure proper compliance with the Company's internal control policies. The Company engaged an independent professional company to review the effectiveness of its internal control for the year ended 31 December 2022. The management and relevant responsible departments of the Company have confirmed the investigation results and recommendations, and the management has formulated an action plan to address the problems discovered.

The Audit Committee will monitor and manage the overall risks associated with our business operations, including: discussing risk management and internal control systems with management to ensure that management has fulfilled its responsibilities to establish effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. The Audit Committee will consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings.

Corporate Governance Report

The Company has a chief compliance officer in place to establish and improve the Company's compliance management system, legal risk control system and internal supervision system based on the Company's strategy, development plan and actual business development. The Company attaches great importance to whistleblowing and anti-corruption. Details are set out in section headed "III. 3. Business Ethics and Anti-corruption" in the ESG report.

The relevant departments of the Company are responsible for implementing risk management policies and executing daily risk management practices.

The Company has formulated policies for external disclosure of information to guide the preparation and disclosure procedures of inside information. The Company has implemented monitoring procedures to ensure that inside information is strictly prohibited from being obtained and used without authorisation.

We are committed to continuously improving the risk management and internal control system of the Company. The Board reviews the effectiveness of the Group's risk management and internal control system on an on-going basis or, at least, an annual basis. The Board reviewed the effectiveness of the Company's risk management and internal control system for the year ended 31 December 2022 and confirmed that it is effective and adequate.

COMPANY SECRETARY

Mr Yang Ning was the sole company secretary of the Company and he is responsible for advising the Board on corporate governance matters and ensuring that Board policy and procedures, and applicable laws, rules and regulations are followed.

During the Reporting Period, Mr Yang Ning has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

Convening an Extraordinary General Meeting

Pursuant to articles 12.3 of the Articles of Association of the Company, the Board may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any one or more members holding together, as at the date of deposit of the requisition, shares representing not less than one-tenth of the paid up capital of the Company which carry the right of voting at general meetings of the Company. The written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, specifying the objects of the meeting and signed by the requisitionist(s).

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Corporate Governance Report

PUTTING FORWARD PROPOSALS AT GENERAL MEETING

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

Procedures for shareholders to propose a person for election as a Director are available on the Company's website at www.eaal.net.

PUTTING FORWARD ENQUIRIES TO THE BOARD

For putting forward any enquiries to the Board of the Company, 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: 8/F, Block 1, Guosheng Technology Park, No.1 Kangding Street, BDA, Beijing, the PRC
Fax: +86 (10) 8840 0152
Email: IR@eaal.net

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the forthcoming annual general meeting, Directors (or their delegates as appropriate) will be available to meet Shareholders and answer their enquiries. To promote effective communication, the Company maintains a website at www.eaal.net, where information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access.

Corporate Governance Report

The Board will continue to communicate with shareholders and the investment community, and will regularly review this policy to ensure effectiveness and reflect best practices in communicating with Shareholders.

The main channels through which our Company's communicates information to Shareholders are our annual report, interim report, quarterly report (if any), annual general meeting, and other potential shareholders' meetings, and all disclosed data submitted to the Stock Exchange, and Company's communications and other Company's publications are published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website.

CHANGES IN CONSTITUTIONAL DOCUMENTS

During the period from 1 January 2022 to 31 December 2022, the Company did not make any significant changes to its constitutional documents. A latest version of the Articles of Association is available on the websites of the Company and the Stock Exchange.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial information and financial statements is set out below:

	For the year ended 31 December				
	2022	2021	2020	2019	2018
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Other income	**9,087**	17,755	6,005	2,888	5,218
Other gains and losses, net	**(36,335)**	(23,540)	(40,454)	6,316	8,076
Fair value gain or loss of convertible redeemable preference shares	**–**	–	(16,984)	3,825	–
Business development expenses	**–**	–	–	(569)	(1,119)
Administrative expenses	**(97,708)**	(104,254)	(68,625)	(27,760)	(11,666)
Research and development expenses	**(176,223)**	(240,610)	(278,626)	(61,975)	(31,172)
Finance costs	**(6,135)**	(3,678)	(2,389)	(2,070)	(1,135)
Listing expenses	**–**	–	(37,583)	(22,283)	(2,746)
Other expenses	**(13,781)**	(288)	(473)	(7,426)	(344)
Loss before tax	**(321,095)**	(354,615)	(439,129)	(109,054)	(34,888)
Loss and total comprehensive expense for the year	**(321,095)**	(354,615)	(439,129)	(109,054)	(34,888)
Loss per share (RMB)					
Basic	**(0.62)**	(0.69)	(0.99)	(0.29)	(0.11)
Diluted	**(0.62)**	(0.69)	(0.99)	(0.29)	N/A

Financial Summary

	As at 31 December				
	2022 (RMB'000)	2021 (RMB'000)	2020 (RMB'000)	2019 (RMB'000)	2018 (RMB'000)
NON-CURRENT ASSETS					
Property, plant and equipment	**527,251**	426,588	154,492	85,350	78,747
Intangible assets	**42,486**	14,250	7,371	7,767	2,575
Prepayments, deposits and other receivables	**48,881**	80,499	31,442	14,216	10,386
Contract costs	**720**	976	1,232	1,488	1,744
Financial assets at fair value through profit or loss ("**FVTPL**")	**140,175**	163,176	131,969	–	–
Pledged bank deposits	**1,810**	–	–	–	–
	761,323	685,489	326,506	108,821	93,452
CURRENT ASSETS					
Contract costs	**256**	256	256	256	256
Materials for research and development project	**7,213**	10,866	3,975	4,810	2,291
Amount due from a related party	**–**	–	–	750	750
Amounts due from shareholders	**–**	–	–	–	69
Financial assets at FVTPL	**21,010**	–	–	–	45,690
Prepayments, deposits and other receivables	**31,187**	47,737	34,106	20,087	8,373
Bank balances and cash	**58,448**	353,341	845,386	282,247	128,332
	118,114	412,200	883,723	308,150	185,761
CURRENT LIABILITIES					
Contract liabilities	**710**	710	710	710	710
Trade and other payables	**167,989**	154,706	20,164	23,134	14,489
Lease liabilities	**26,056**	20,209	7,204	3,786	2,896
Deferred government grants	**3,650**	4,476	3,539	6,433	–
Other financial liability	**10,069**	–	–	–	–
Amount due to a related party	**–**	–	–	–	929
Convertible redeemable preference shares	**–**	–	–	172,107	–
	208,474	180,101	31,617	206,170	19,024
NET CURRENT (LIABILITIES) ASSETS	**(90,360)**	232,099	852,106	101,980	166,737
TOTAL ASSETS LESS CURRENT LIABILITIES	**670,963**	917,588	1,178,612	210,801	260,189
NON-CURRENT LIABILITIES					
Contract liabilities	**1,984**	2,694	3,404	4,114	4,824
Lease liabilities	**122,750**	90,845	43,856	35,214	30,958
Deferred government grants	**38,860**	870	2,504	1,138	8,110
Bank borrowing	**1,000**	–	–	–	–
	164,594	94,409	49,764	40,466	43,892
NET ASSETS	**506,369**	823,179	1,128,848	170,335	216,297
CAPITAL AND RESERVES					
Share capital	**3,576**	3,576	3,576	677	69
Reserves	**504,859**	818,683	1,123,961	168,265	214,582
Equity attributable to owners of the Company	**508,435**	822,259	1,127,537	168,942	214,651
Non-controlling interests	**(2,066)**	920	1,311	1,393	1,646
TOTAL EQUITY	**506,369**	823,179	1,128,848	170,335	216,297

Environmental, Social and Governance Report

I. OVERVIEW

This report ranges from 1 January 2022 to 31 December 2022. In order to ensure the consistency of information and data, some contents are beyond this time range, and it covers Immunotech Biopharm Limited ("**Immunotech**" or the "**Company**") and its subsidiaries set out in the annual consolidated financial statements.

1. Statement of the Board

The Board of Directors is the highest body for ESG management and disclosure, responsible for comprehensively supervising the progress of the Company's ESG work and convening ESG communication meetings on a regular basis. The Company has established an ESG working group at the management level, which is responsible for identifying and evaluating ESG risks and reviewing ESG plans and goals. In 2022, the Company reassessed its five-year environmental goals set in 2021, which remain forward-looking and effective in driving the Company to reduce pollutant emissions and improve the efficiency of energy and resource use. The Board reviewed and approved the targets and their corresponding action plans and will continue to monitor and review the progress of their implementation. The Board undertakes that the Company has fully disclosed the progress and results of the Company's environmental, social and governance (ESG) work in 2022 in strict accordance with the disclosure requirements of the Environmental, Social and Governance Reporting Guide in Appendix 27 to the Listing Rules of the Stock Exchange. The Board warrants that the content of this Report is free from any false records, misleading statements or material omissions, and the Board assumes individual and joint liability for the authenticity, accuracy and completeness of this Report.

2. ESG Reporting Principles

- Materiality: This report adheres to the materiality principle of the HKEX, and discloses the Board's consideration of ESG issues, communication with stakeholders, identification process of substantive issues, and matrix of substantive issues.

- Quantitative: The statistical standards, methodologies, assumptions and/or calculation tools for the quantitative key performance indicators as well as the sources of conversion factors are all explained in the relevant sections of the report.

- Balance: This report shall provide an unbiased picture of the Company's performance during the Reporting Period by disclosing both positive and negative information indicators.

- Consistency: Consistent statistical methodologies are used for the information disclosure in this report.

3. Basis for Preparation

This report has been prepared in compliance with the disclosure rules for the Appendix 27 to the Listing Rules of HKEX *Guides on Environmental, Social and Governance Reporting*, the Global Reporting Initiative's *Sustainable Development Reporting Standards* (GRI Standards).

Environmental, Social and Governance Report

II. ESG MANAGEMENT

1. ESG Architecture

The Company's Board of Directors is the highest decision-making body for ESG work, which is responsible for conducting the evaluation and judgment of ESG risks in respect of the Company, guiding and overseeing the Company's development and implementation of ESG work, ensuring the establishment of an effective ESG risk management system, and examining and approving the disclosure information in the Company's ESG report. The Company has established an ESG working group consisting of heads of all departments to jointly boost the implementation and steady development of its daily ESG work.

In March 2023, the 2022 ESG report was reviewed by the Board, of which the open disclosure was approved by the Board.

As 31 December 2022, the Board had nine Directors, including three independent non-executive Directors and two female Directors.

2. Communication with Stakeholders

The support and trust of stakeholders is of vital importance to the sustainable development of Immunotech. The Company has communicated in an open manner with all stakeholders in respect of their expectations and opinions by establishing a variety of regular communication mechanisms. Furthermore, the Company has also responded to their needs through effective communication to form a long-term relationship of trust.

Stakeholders	Material Issues	Communication and Response Methods
Investors/ shareholders	• Stable operation • Performance growth • Return on investment • Risk management	• General meetings • Interim and annual reports • Timely information disclosure • Investor meetings
Regulatory authorities	• Compliance operations • Driving industry development • Support sustainable economic, social and environmental development	• Strict compliance with relevant laws and regulations • Voluntary payment of taxes according to the law • Pursue green and low-carbon development • Information submission and disclosure • Business development

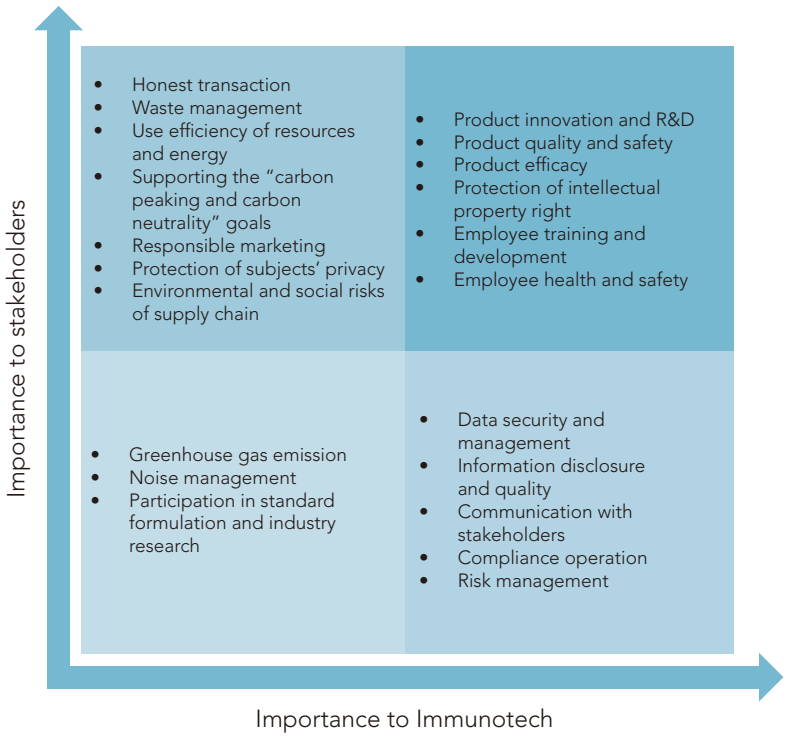
Environmental, Social and Governance Report

Stakeholders	Material Issues	Communication and Response Methods
Subjects	• Product safety • Privacy protection • Product efficacy	• Strict quality and safety management • R&D and innovation • Protection of subjects' rights and interests
Employees	• Equal employment • Career development • Occupational health and safety	• Regular meetings and skills training • Employee exchange activities • Strengthen safety supervision
Suppliers	• Fair procurement • Green procurement • Integrity performance • Long-term win-win cooperation	• Standardise supplier management • Open tender management procedures • Regular communications with and evaluation of suppliers
Environment	• Emissions management • Energy conservation and consumption reduction • Address climate change	• Improving EHS related rules and regulations • Promote green office work • Regularly inspect the normal operation of sewage treatment facilities
Community	• Participate in public benefit activities • Mitigate the impact of the operations on the surrounding community	• Conduct charitable activities • Conduct regular environmental compliance evaluations

Environmental, Social and Governance Report

3. Determination of Material Issues

The Company has maintained close communication with internal and external stakeholders. With a view to determining the key ESG concerns and information disclosure priority, the Company has made efforts to identify and evaluate ESG issues through the ESG important issues questionnaire, and determined the importance and prioritisation of such issues. The ESG working group is in charge of the identification and evaluation of important issues, and the Board is responsible for examining and approving the prioritisation results of ESG issues. The Board ensured the corporate strategy and vision were formulated pursuant to the systematised ESG issues, and urged the Company to continuously enhance the ESG performance to reach the requirements and expectations of stakeholders. Through the questionnaire and internal and external investigations, the Company has finally established the following material issue matrix:



Environmental, Social and Governance Report

Material ESG Issues		
Environmental	**Social**	**Governance**
Waste management Supporting the "carbon peaking and carbon neutrality" goals Use of energy and resources Greenhouse gas emissions Noise management	Product innovation and R&D Product quality and safety Product efficacy Protection of intellectual property right Protection of subjects' privacy Employee training and development Employee health and safety Honest transaction Responsible marketing Environmental and social risk management of supply chain Participation in standard setting and industry research	Data security and management Information disclosure and quality Communication with stakeholders Compliance management Risk management

4. ESG Risk

The Board is responsible for comprehensively evaluating and determining the attribute and extent of the risk that the Company is willing to undertake in case of its failure to meet its strategic targets, and establishing and maintaining appropriate and effective management and internal control systems for environmental, social and governance risks. The Board is also responsible for determining the risks and importance of the Company's ESG issues, and the ESG working group is responsible for evaluating and examining ESG risks and opportunities, making proposals to the Board, and developing effective response strategies. In 2022, the Company identified climate change risks and put forward countermeasures from the two perspectives of mitigation and adaptation.

Environmental, Social and Governance Report

III. CONSOLIDATE THE FOUNDATION FOR DEVELOPMENT THROUGH STEADY OPERATION

Compliance management is the cornerstone of high-quality development for enterprises. With the risk-oriented policy in mind, combined with its development strategic goals, the Company has constantly improved its compliance management system, risk control system and internal supervision system.

1. Internal Control Compliance

1) Revise the Management System

In 2022, on the basis of the nine systems such as Systematic Management Measures, Process Management System and Internal Audit System, and in consideration of the current operation situation and business needs, the Company increased or revised the three management systems, covering risk control, internal control, contract management, confidentiality management, audit and supervision management, and others, so as to further improve the compliance system.

2) Conduct Internal Control Review

The Company's Compliance Centre has performed the internal control review of 23 specific processes falling within the scope of the five major processes of risk assessment, environmental control, business cycle, control means and information communication, and identified potential risk points and taken the improvement measures.

3) Improve the Internal Control Handbook

On the basis of the initial establishment of the internal control system in 2021, the Company has improved the internal control handbook by integrating and enriching the management systems, management practices and related business processes at various management levels.

2. Risk Management

Pursuant to relevant laws and regulations as well as the Company's Articles of Association, the Company has developed Risk Control Management Measures, Information Disclosure Management System and Confidentiality Management System to regularise the risk management and improve the corporate operation risk management system with the pre-preventions as the main measures, and in-process control and post-event remedies as complementary measures, thus enhancing the risk prevention capability, ensuring the safe and stable operation of the Company, and meeting the goal of overall risk management.

Environmental, Social and Governance Report

1) Information Disclosure Management System

The Company has established an information disclosure management structure with clear division of work and responsibility, which specifies that the Chairman is the first person responsible for information disclosure. Through the establishment and improvement of the top-down information disclosure management system, the Company has specified the content of the information required for disclosure and the disclosure standards, and the information transfer, review and disclosure processes, intensified the management of information disclosure matters, and fully performed the duties of integrity and diligence to investors.

2) Confidentiality Management System

The Company has established a confidentiality security committee in charge of the confidentiality of business information. The committee is responsible for reviewing the Company's confidentiality management system, defining the confidentiality requirements such as the scope, content, classification and measures of confidentiality, determining whether the confidentiality personnel is subject to competitive restriction upon departure from the Company, and supervising whether the Company's relevant personnel faithfully performs confidentiality work. All of the employees entering or leaving the Company or having their job transferred are all required to sign confidentiality agreements and file them for management, and the Company regularly provides training on security and confidentiality.

3) Contract Management System

At the time of signing contracts, the Company upholds the principles of "equality and mutual benefit, consensus, and merit-based contract conclusion", takes the contract management mode of classified authorisation, and strictly regulates the procedures of contract approval, signing, performance and filing. The Company's Compliance Centre conducts random inspection on the signing and performance of contracts from time to time.

4) Information Security

Upholding the principle of information system security management based on different classifications and regions, the Company has highlighted data security, network security, server and application security, terminal security, mobile storage media security and so on. The Company has formulated the corresponding network information security and information system security management systems. In order to meet the goal of pre-prevention, in-process control and post-traceability for leaked secrets, the Company has regularly conducted the supervision and inspection on the implementation of the systems.

Environmental, Social and Governance Report

Case: IP-guard

IP-guard adopts the systems management philosophy, takes the functional modular design, and uses the technological means such as behavior auditing, hierarchical authorisation, access control, centralised management, and transparent document encryption and decryption, to offer comprehensive solutions on information security, application efficiency, and system management. Through flexible and effective management, IP-guard regulates terminal behavior and enhances executable capability of enterprises while maintaining enterprises' vitality. Through a single console, administrators can keep track of the running state of each computer at any time, and perform the system security management and asset management.

3. Business Ethics and Anti-corruption

Immunotech has placed anti-corruption as the top priority in corporate governance. Through system construction, we have made further efforts to oversee the business ethics of both the Company and individuals, and actively foster an incorruptible culture. Pursuant to relevant laws and regulations, the Company has formulated the Confidentiality Management System, Management Measures on the Receipt of Gifts, Measures on the Management of Complaints and Reporting, and so on, which specify that the Company fights against any form of bribery and corruption and takes zero-tolerance attitude towards corruption, stipulate the code of business conduct and the business ethics required for both the Company and its employees, and strictly restrict the business behaviors of the Company and its employees.

1) Practice with Integrity

In terms of honest practice, the Company has embraced the concept of "sunny operation and sound management" and developed the Measures on the Gift-receiving Management and the Business Reception Management System. Employees were required to follow relevant provisions in customer service, meetings, business trips, business activities and other business dealings, and to take the initiative to resist bad business transaction practices. Furthermore, they were not allowed to ask for property or illegally accept property from others through their positions; they should not illegally accept tips or all kinds of personal kickbacks, commission fees and others in violation of relevant provisions of the country or the region concerned and the Company.

In 2022, a total of 13 gifts were received and registered and then were handed over to the Administrative Service Centre.

Environmental, Social and Governance Report

2) *Reporting Management System*

In order to intensify the internal and external supervision of the Company and effectively prevent and punish various internal and external violations, the Company has developed the Measurement Measures for Complaints and Reporting, specifying the reporting methods and scope, reporting acceptance and inspection, rewards and punishments, protection measures and other details. The Company has adhered to the principle of "feedback on all complaints". Within 1 month after the investigation and settlement of a reported case (the deadline may be extended for half a month for special or complicated cases), the investigation and treatment of the reported case will be reported to the CEO for instructions. After the approval is obtained, the relevant departments will handle the case based on the actual situation and notify the informants at the same time.

- *Informant Protection Mechanism*

  The Company shall keep confidential the name and contact information of the informant and the reported contents. The reported information and records shall be treated as confidential documents. Furthermore, confidentiality measures shall be adopted to ensure that the identity of the informant is not exposed when the Company accepts the report of the informant or verifies relevant information to the informant.

  No complaints or reports were received during the Reporting Period.

- *Smooth Reporting Channels*

  The internal informant of the Company can report any violation through corporate WeChat, email, face-to-face reporting, mail reporting and others. The external informant of the Company may report it through E-mail, mail reporting and others.

  Corporate WeChat Reporting Method: Employee service – complaint
  E-mail Reporting Method: Send reports to tousu@eaal.net

Environmental, Social and Governance Report

IV. BREAKTHROUGH OF INNOVATIONS AND EXTENSION OF LIVES

As a leading biomedical company for cellular immunotherapy in China, Immunotech has adhered to its developmental vision of growing into a pioneering and leading developer of immune cell medicines in China, and focused on the development and commercialisation of T cellular immunotherapy for nearly 16 years. Since 2006, we have conducted studies on EAL® multi-target cellular immunotherapy products, and accumulated more than 10 years of experience in clinical application. As a result, EAL® also showed therapeutic effects on multiple cancers. By improving cell culture systems and methods, Immunotech has developed a proprietary technology platform with independent intellectual property rights for the purpose of producing EAL® cells.

1. Product R&D

In the process of product development, Immunotech has conducted various studies in strict accordance with the provisions of enacted regulations, and kept its employees trained and up to date on new regulations and made the interpretation. According to its actual conditions, it has analysed the gaps and taken improvement measures, in an attempt to carry out various work, while establishing and optimizing the Company's corresponding product development management documents. Immunotech has established a multi-level management system from project management, feedback of declaration results and acceptance of all inspections, ensuring that the development of the Company's products meets regulatory requirements.

During the product development, Immunotech has focused on the latest regulatory requirements in the field of cellular therapy in addition to national regulations on drug registration, including:

- Technical Guidelines for Study and Evaluation of Cellular therapy Products (Trial Implementation) (Notification document: YSYZJ 2017 No. 216)
- Technical Guidelines for Pharmaceutical Study and Evaluation of Cellular Immunotherapy Products (Trial Implementation) (YPSPZX 2022 No. 30)
- Technical Guidelines for Pharmaceutical Change Study in listed biological products (Trial Implementation) (YPSPZX 2021 No. 31)
- Administrative Guidelines for Product Quality of Cellular Therapy Products (Trial Implementation) (SHCYZX 2022 No. 4)
- Technical Guidelines for Pharmaceutical Study and Change of Biological Products during Clinical Trials (September 2022)
- Drug Administration Law of the People's Republic of China
- Administrative Measures for Drug Registration (YSYZJ 2020 No. 27)
- Relevant Chinese, American or European guidelines and pharmacopoeia on cellular therapy

Environmental, Social and Governance Report

The Company selected the prevention of recurrence of high-recurrence-risk primary hepatocellular carcinoma after surgical curative resection as the clinical indication in the EAL® clinical trial. After the node required by the clinical study protocol, it planned to consult CDE and submit an application for commercializing EAL® in the Chinese market. Its main product candidates are in the direction of cellular immunotherapy of tumours, including multi-target tumour immune cell products; CAR-T cell product pipeline; TCR-T cell product pipeline. The Company has 8 main projects in the pipeline and 13 in new drugs in the pipeline, and has obtained 7 patent authorisation. In 2022, the Company invested up to RMB176.2 million in R&D.

Key study achievements

- EAL®: completed the clinical patient enrollment required by the protocol and the pharmaceutical change study, submitted the change supplement application, which was accept; achieved the closed production process of EAL®, made the phased progress in the automation study
- Denocabtagene Ciloleucel Injection: In March 2023, the Company has obtained the clinical approval for Denocabtagene Ciloleucel Injection from the NMPA
- aT19: completed the main preclinical study for the IND declaration
- CAR-T-19: completed clinical enrollment of 9 patients at the phase I; completed the changes relating to plasmids, viruses and cells

1) Product Introduction

The Company's product pipelines cover non-genetically modified and genetically modified products, as well as cellular immunotherapy products dominated by multi-target and single-target products. In addition to EAL®, our main product candidates include 6B11, CAR-T series and TCR-T cell series.

- *EAL®*

EAL® products belong to the multi-target tumour immune cell products. The Company has more than 10 years of track record for clinical application in cancer therapy. EAL® is prepared with activated and expanded T cells from the patients' autologous peripheral blood. The main active component of the product is CD8+ cytotoxic T cells, whose surface marker is the CD3 molecule. The activated autologous lymphocyte (AAL) therapy (with EAL® for one example) has been seen in clinical trials overseas for its effectiveness in preventing postoperative recurrence of liver cancer. The Company has published three papers on the application of EAL® produced by the patented method in the treatment of cancer and its safety and efficacy on Science Citation Index. Currently, EAL® is in the clinical trial study phase II with the prevention of postoperative recurrence of hepatocellular carcinoma as the clinical indication.

Environmental, Social and Governance Report

- *CAR-T Cell Product Pipeline*

  Our CAR-T cell product pipeline centres on the CAR-T-19 cell series. Among them, CAR-T-19 injection showed a good efficacy in clinical studies. The IND application of the product candidates with B-ALL as the clinical indication was accepted by CDE in August 2019, and the relevant clinical study phase I started in May 2021. In addition to CAR-T-19 injection, our Denocabtagene Ciloleucel Injection and aT19 Injection in the pipeline ultimately aim to solve the pain spots of inadequate persistence, poor therapeutic efficacy and tumour recurrence of CAR-T cells in treating solid tumours. The relevant technology of the two products in the pipeline are likely to be applied in genetically modifying other CAR-T and TCR-T cell products targeting solid tumours.

- *TCR-T Cell Product Pipeline*

  TCR-T cell therapy uses genetic engineering to transfer TCR sequences that can specifically bind to target antigens into T cells derived from patients' peripheral blood, and then transfuse the modified T cells back into the patient's body to specifically recognise and kill tumour cells expressing antigens, thus achieving the goal of treating tumours. We have a number of TCR-T cell product candidates under pre-clinical studies, with the relevant target antigens including the cancer-testis antigen or cancer-placental antigen such as NY-ESO-1, and antigens derived from viruses such as human endogenous retrovirus, CMV, EBV and HPV. Indications include clear renal cell carcinoma, and CMV or EBV infection after hematopoietic stem cell transplantation.

2) R&D Platform Construction

- *R&D Management Platform*

  To achieve the institutionalised management for the R&D process and ensure the compliance with GMP and other applicable laws and regulations, Immunotech has developed a comprehensive quality management system, with standards covering the whole quality management process including quality control and quality assurance. Raw materials, finished products and laboratory consumables are subject to strict quality standard limits. The Company has a standard operation process for each step of the production of the core product candidates EAL® to ensure that the products meet a uniform high standard. To ensure that the final products meet the quality standard, all quality issues during the production process are recorded and submitted to the senior management for review, and the latter performs the formal risk assessment and judgment according to the standards and procedures under the quality management system and policies.

Environmental, Social and Governance Report

- *R&D process platform*

Serum-free cell culture and expansion platform	It is the cornerstone for developing individualised cellular immunotherapy products, in which immune cells can all be grown and expanded and their antineoplastic activity can be maintained under serum-free conditions in vitro. The serum-free technology platform is comparable with the serum culture platform in terms of the cell culture efficiency, and can minimise the xenogeneic reactions and contamination risk to reduce the side effects in clinic.
Genetic modification and transduction technology platforms	On the optimised genetic vector and transduction technology platform, through optimised vector selection and transduction efficiency, T cells can transduce and express macromolecular genes and can be used to produce various CAR-T cells and TCR-T cells.
Technology platform for in vitro induction and expansion of specific T cells	As the technology platform for ex vivo expansion of antigen-specific T cells, it can be used for clinical therapy and screening of TCR genes to construct TCR-Tcells.
Plasmid and viral vector production and purification technology platform	As the plasmid and lentiviral vector production and purification technology platform, it can be used for the mass production of a large number of lentiviral vectors in line with clinical application standards to prepare various gene transduction cells (CAR-T, TCR-T) and provide CMC services.

- *R&D Service Platform*

In order to keep the R&D work on track, Immunotech has established a R&D service platform system covering transportation and logistics, clinical study and other links, developed blood sample collection and reinfusion process documents, and provided training for relevant staff. Meanwhile, the Company's R&D team has maintained active communication with participants in the clinical trials, kept records, and arranged vehicles and logistics service providers.

3) R&D Facilities

The Company's R&D and production space in China covers a total area of nearly 30,000 square meters, including more than 10,000 square meters of Guosheng laboratory and 17,235 square meters of Lidman plant. The Company has obtained the inspection report on the clean workshop (area) issued by a third party inspection agency. Furthermore, the Company has established a research centre in Korea Technology Valley, aimed to fuel the development of the next generation of cancer immunotherapy products and to identify new specific products that can act on a variety of cancer cells.

Environmental, Social and Governance Report

4) R&D Equipment

Immunotech's laboratory is equipped with international advanced production equipment, including biosafety cabinets, centrifuges, incubators, inverted microscopes, heat sealers and other equipment used for the preparation of cell immunotherapy products, which also has a bioreactor and purification device for the production of high-quality viral vectors. Quality control equipment is used for immune cell related quality control and detection, including automatic cell counter, multi-laser flow cytometer, cell biological activity detector, and qPCR instrument.

5) Cultivation of R&D Talents

The Company's technical core team is composed of senior cancer immunologists with forward-looking and keen insight to the industry. The Company has established a R&D organisational structure from early-stage R&D, pre-clinical research and clinical research to commercial production and management, enabling the product R&D to move forward quickly. In 2022, the Company introduced 2 doctors and 8 masters, making the R&D team consist of 198 members[1]. Furthermore, the Company attaches significance to the cultivation of innovation culture and contributes to a constant increase in the Company's R&D capability. The Company conducts the innovation team selection every year, and rewards the team with better innovation. In the process of project promotion, relevant R&D personnel will be rewarded upon completion of each key node of work.

6) Protection of Intellectual Property Right

In strict compliance with the Trademark Law, the Patent Law and other relevant laws and regulations, the Company has established a series of management systems such as the Intellectual Property Right Management System, the Patent Affairs Management System and the Trademark Affairs Management System, to regulate the protection of the Company's intellectual property rights (IPRs). Insisting on technological innovation, the Company shall guarantee that there is no infringement of the protected IPRs. In addition, the Company regularly organized training sessions related to intellectual property rights for employees in order to enhance their awareness of protecting intellectual property rights.

With a comprehensive layout and advanced immune cell drug R&D and production technology platform, Immunotech has obtained a number of national invention patents and utility model patents with independent intellectual property rights. With the platform and product pipeline as the unit, the Company has gotten the IPR protection to run through the whole life cycle of the products, and attached great importance to the IPR protection from project initiation to project application and then to product marketing and other later stages.

- Conduct IPR risk analysis at different stages to mitigate the risks of IPR infringement.
- Conduct technical, temporal and spatial patent layout for related projects, including the layout for different technologies, different project stages and patents and trademarks in different countries/regions, so as to acquire the effective IPR protection for project technologies.

[1] R&D personnel include R&D, clinical, production and other related personnel.

Environmental, Social and Governance Report

2. Product Safety and Quality

Immunotech upholds the policy of "patient-centred, standardised, implemented, supervised and improved services", strictly abides by the industry-related laws and regulations, and implements the quality standard of "100% of the qualified production rate (not due to patients' reasons) and 100% of ex-factory qualification rate", to effectively guarantee the use safety and reliable efficacy of drugs. This has adequately indicated the purpose that the drug manufacturer is the first responsible person for drug quality. In order to provide the masses with high-quality and safe drugs, and reach the goal of continuously improving the quality management system, the Company has formulated a special quality management system.

Quality Policy

Patient-centred, standardised, implemented, supervised and improved services.

The Company has established and continuously optimised the quality management system in strict compliance with industry regulations and policies. Through the use of various quality management means such as plant facilities and equipment management, documentation system management, personnel qualification management, training management, production management, quality control management, materials purchase acceptance and release management, deviation, change, and CAPA, the Company could guarantee the effectiveness of the quality management system and ensure the full compliance of all production activities with regulatory requirements, so as to further guarantee the safety and effectiveness of products. So far, the Company has had no violations in every regard.

The Company has established a three-level quality management file system: the first-level file is the factory master file; The second-level file includes process procedures, quality standards, department functions, job responsibilities and management procedures; The third-level file is operating instructions, including 187 copies of management procedure documents, covering institution and personnel, plant and facilities, equipment management, materials and products, confirmation and verification, document management, production management, quality assurance, quality control, commissioned production and commissioned inspection, computerised system, donor materials and other management documents. In 2022, the Company had another 14 management documents and revised 91 management documents to ensure the continuous and dynamic optimisation of the quality management system and to reach the regulatory requirements of China, the European Union, WHO and others.

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1) *Construction of GMP Management System*

The Company's GMP management system construction has run through the whole life cycle of products from R&D to delisting, mainly covering institutions and personnel, plant facilities and equipment, materials and products, document management, production management, laboratory management, quality assurance, donor materials, computerised system and other management modules.

In 2022, the Company made 328 batches of releases, reviewed nearly 1,000 records including batch production records, batch inspection records and batch packaging records, continued to optimise the document system, including 262 new documents/records and 675 revised documents/records, released a total of 412 batches of materials and audited a total of 29 suppliers. Furthermore, the Company supervised the production inspection site every week, identified the risk points and proposed corrective and preventive measures in a timely manner, and completed deviation investigation, change assessment and risk assessment in a timely manner, thereby providing further guarantee for product quality.

2) *R&D Quality Assurance*

The Company has established the quality management system in line with the R&D stage, covering the management process and control requirements in terms of institutions and personnel, equipment, materials, confirmation and verification, document management, production management, quality control and assurance, commissioned production and commissioned inspection, product shipment and recall, self-inspection, R&D management, computerised system, autologous peripheral blood management and biosafety management, as well as the operating procedures and records in respect of production process operations, inspection operations, equipment use and cleaning, and equipment maintenance, so as to ensure that the production of clinical products are in compliance with the requirements of the Good Clinical Practice (GCP).

From 2021 to 2022, the Company formulated the management procedures for R&D projects, the management procedures for project initiation, the management procedures for drug R&D code preparation, the management procedures for new drug R&D technology transfer, the management procedures for commissioned R&D inspection and research, the management procedures for investigator-initiated trial (IIT), the management procedures for R&D research programs and reports, the management procedures for R&D records, the management procedures for R&D data and report format and consolidation, the management procedures for R&D materials, the management procedures for the R&D personnel, the management procedures for R&D laboratory and so on, so as to ensure the compliance of the drug R&D process with relevant regulations. In 2022, the Company updated a total of 17 management procedures, including the deviation, change, corrective and preventive actions (CAPA), site monitoring, document management, record management, training management, gene carrier production management, gene carrier production clearance, cleaning and disinfection management, materials release, environmental monitoring, commissioned R&D inspection and research, and the use of materials at the clean area of R&D laboratory.

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The Company has established the scientific and reasonable detection methods according to the needs of different projects, and then made the initial verification and confirmation of the methods, and used them for the sample detection in the project research, thus ensuring the consistency of the evaluation standards. With the confirmation of the project process, the Company conducts the methodological verification of all analytical methods. This part of information will not only be delivered in the application materials, but will be also simultaneously handed over to the National Institutes for Food and Drug Control in the subsequent IND and NDA applications. When the product starts the production confirmation batch, the declaration batch, the pharmacological and toxicological batch, clinical IIT and other key batches, the Company will formulate the quality standards of the products based on the relevant historical data, and conduct the testing and release according to the quality standards.

3) Emergency Treatment Mechanism

In order to cope with product emergencies and quickly recall products with hidden safety risks from the market when necessary, the Company has established the product recall management documents for the products which are defective or unsuitable for clinical use from the departure from factory to back delivery. In 2022, there were no emergencies or recalls in respect of the Company's products.

4) Full Life Cycle Management

In order to ensure the traceability of the products in the full life cycle, the Company has formulated a relatively sound quality traceability system.

- *Unique Code of Identity (COI)*

  The Company's EAL® products generate a unique code of identity (COI) for patients based on their personal information, which is used for the identification of patients' information in multiple subsequent transfusion treatments including autologous peripheral blood collection, autologous peripheral blood transportation, autologous peripheral blood delivery, EAL® production and inspection process, release of EAL® finished products, transport of EAL® finished products, and transfusion of EAL® finished products. At the same time, patients will have multiple blood collections and multiple transfusions in the course of receiving the treatment of EAL® products, despite that one blood collection corresponds to only one transfusion during the treatment. In order to prevent the identification of different products by the same patient, the COI is used in the EAL® product traceability system and the unique product patch number of each batch of products is also simultaneously used as the unique COC to connect with operations and records in respect of reception, transportation, production, inspection, release and storage of autologous peripheral blood/cells/products in the EAL® product manufacturing process.

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- *Logistics Quality Management*

  The Company has formulated the "Logistics and Transportation Management" regulations and systems to specify the standards in transportation. Shipping documents are prepared for different products, including EAL® and CAR-T-19 items, to clarify the operating processes and precautions for each item, thus ensuring the safe, timely and accurate delivery. In view of possible abnormal situations, the Company has formulated the Standard Operating Procedures for Logistics Transportation Emergency Treatment to specify the standard treatment procedures for operators under different abnormal circumstances.

  At present, the goods transported by the Company can realise online monitoring at the terminals of computers and mobile phones. The real-time confirmation is made for locations, temperature and status of the goods in transit every 2 minutes (up to 5 minutes) on average, and early warning function is set for all in-transit orders. When the transport route deviates and the temperature in the transport boxes reaches the warning value, it can be known through online warning for timely treatment. During the whole year of 2022, there were no overtime, over-temperature or other abnormalities for the goods transported by the Company.

5) Training for Quality Personnel

The Company has formulated training management procedures, requiring quality management personnel to receive on-the-job training and to pass the training evaluation before starting the work. At the same time, quality management personnel also needed to receive the Company-level annual training, department-level annual training and document training. Quality management personnel could also attend out-of-town training according to work needs/self-improvement.

The Company has conducted 1,138 sessions of annual training, on-the-job training, document training and temporary training, with a total of 41,081 person-times of trainees, involving all departments in the quality system such as production, quality, human resources, supply chain, and process information centre.

Case: Training on Technological Procedures for Amplified Activated Lymphocytes

In April 2022, the Company organised a training course entitled "Procedures for Amplified Activated Lymphocytes". This training was online training, and the training effect was evaluated by online examination. This training involved a total of 113 employees from several departments such as quality and production, and the overall pass rate of the training was 100%.

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3. Digital Construction

The Company attaches importance to information construction, and enhances the work efficiency in terms of finance, procurement, personnel, contract management, supply chain and others. In 2022, the Company carried out the construction of various approval processes in the financial module through information technology construction, and generated vouchers and various statements with one click. The Company achieved the information synchronisation of procurement application and purchase order in the procurement module, and approval documents in line with the relevant conditions are generated through the system to reach relevant responsible persons for process approval and archiving operation. The automatic information synchronisation is achieved in personnel module to ensure the consistency of data among different systems.

- ***SAP system integration***

  As an integrated information system, SAP includes the backbone business of an enterprise, achieves the continuity and consistency of data, and avoids repeated input and error transfer, thus enhancing the efficiency of business operations. The Company's SAP system has integrated the six major business modules of sales and distribution, materials management, production planning, plant maintenance, quality management and financial cost control, and also integrated MES, LIMS, APS, medical affairs, BPM, ELN and other peripheral system data, thus effectively raising the use rate of resources, boosting the process standardisation and reducing complexity, supporting the delivery of related projects according to the highest standards of CFDA, FDA and EU, and satisfying the compliance requirements.

- ***DMS&TMS system construction***

  As for those departments in respect of GMP, the Company has established the quality document management system and training management system (DMS&TMS), which could help to achieve the online management of documents in GMP system during the full life cycle from preparation to invalidation, enhance the compliance level and work efficiency, control paper cost and guarantee the document security. In addition to the effective improvement of quality and compliance, the construction of DMS&TMS also reduces the risk and degree of manual operation, provides convenience for each user department to view and review the quality information online, and improves the examination and approval efficiency of documents through e-mails and visual reminders.

4. Product Promotion

In compliance with the "Drug Administration Law of the People's Republic of China", the "Advertising Law of the People's Republic of China"), the "Interim Measures for the Examination and Release of Advertisements for Drugs, Medical Devices, Health Food and Formula Food for Special Medical Use" and other laws and regulations, the Company has announced its product R&D progress in an objective and truthful manner, without exaggeration or false claim, thus ensuring that all content was authentic and lawful. When preparing the subject informed consent form and recruitment advertisements, the Company ensured that the product information had been approved by the ethics committee of each research centre and the subjects had been fully informed and signed the informed consent form before screening. The Company obtained 9 trademark rights in 2022 and acquired 12 trademark rights in total in the past two years.

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5. Rights and Interests and Privacy Protection of Subjects

The Company attaches importance to safeguarding the legitimate rights and interests of subjects and establishes the subject protection measures throughout the process. In the start-up phase of the project, the project team had patients fully informed in accordance with Quality Management Specifications for Clinical Drug Trials, E6(R2) Integrated Addendum to Good Clinical Practice (GCP), Helsinki Declaration of the World Medical Congress, and Ethical Review Measures for Life Science and Medical Research Involving Humans (Trial), as well as the complexity of the program, whether the subjects had undergone traumatic treatment, whether the subjects had provided the informed consent form, including product situation, possible benefits and risks of patients, transportation compensation and blood-collecting compensation standards, treatment measures after SAE. The project could start following the ethical approval and keep patients fully informed. In case of any change in the product information, the program, the relevant regulations and others in the project process, the project team would update the informed consent form according to the requirements, and inform the subjects again after receiving the approval from the Ethics Committee. If the patients withdraw the informed consent form, the researchers would record the withdrawal in the original data. The patients' subsequent clinical data would not be used upon the withdrawal of the informed consent form.

6. Supplier Management

The Company has established the Supplier Management System, Supplier Development Access Management Process, Tender Management Procedures and other supplier management and procurement processes and systems, which serve as the processes and standards for the cooperation between the Company and the suppliers before, during and after the cooperation, thus ensuring that the business cooperation is carried out under the premise of fairness, impartiality and compliance.

- ***Supplier Access***

  In 2022, the Company optimised the supplier management system and strictly carried out the supplier compliance and access management. Prior to the cooperation with suppliers, the Company must sign the Integrity and Self-discipline Agreement, which clearly stipulates that both parties shall prohibit all commercial bribery and corruption acts, and both parties shall perform the business contracts under the principle of fairness, impartiality and openness, and both parties shall consciously abide by the national and local laws and regulations as well as the provisions of the Agreement, and shall remain honest and self-disciplined during the conclusion and performance of the contract, so as to effectively safeguard the legitimate rights and interests of both parties. During the cooperation with suppliers, the Company shall prohibit any form of bribery or payment of improper benefits, convenience, commissions, kickbacks and others.

  During the Reporting Period, the Company had a total of 824 suppliers, with an annual supplier compliance ratio of 100%.

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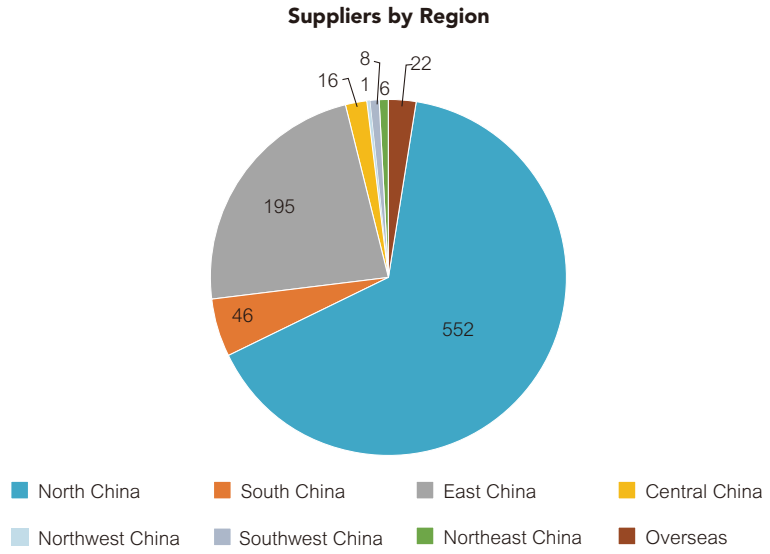

Supplier Introduction Process

- The introduction of suppliers is in compliance with the Tendering and Bidding Law of the People's Republic of China and is subject to the supplier introduction management system of the Company. Tendering and bidding shall be conducted by invitation to bid;
- The Company will perform the audit management, access management and annual assessment management for GMP suppliers pursuant to relevant GMP laws and regulations;
- A single source description shall be provided for special cooperation and relevant suppliers will be introduced after it's evaluated and approved with signed authorisation by the Company leader.

- ***Supplier Evaluation***

The Company conducts the graded evaluation of suppliers. For S1 suppliers, the Company has established long-term and reliable relationships with them by sharing risks and benefits, conducted in-depth cooperation in terms of technology and standards, and become a strategic partner. Furthermore, the Company regularly held round-table meetings and technical exchange meetings, periodically reviewed the progress of cooperation and problems encountered, and constantly conducted innovations while decreasing costs and increasing efficiency. Furthermore, the Company took the initiative to include ESG risks into the supplier management, and evaluated and audited suppliers' institutions and personnel and other social risks in the key GMP supplier audits.

The Company has formulated the Supplier Management System, which specifies that the suppliers triggering negative or serious impact on the Company will be blacklisted and the Company will never cooperate with them.

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V. EMPOWER EMPLOYEES TO WORK TOGETHER FOR COMMON DEVELOPMENT

1. Employment

The Company strictly abides by the "Labor Law of the People's Republic of China", the "Labor Contract Law of the People's Republic of China", the "Social Insurance Law of the People's Republic of China", "Labor Dispute Mediation and Arbitration Law", the "Law of the People's Republic of China on the Promotion of Labor Employment", the "Law of the People's Republic of China on State Compensation", the "Law of the People's Republic of China on the Prevention and Control of Occupational Diseases", "Measures for National Annual Festivals and Holidays (new)", the "Regulations on Employees with Paid Annual Leave", and other relevant laws, regulations and policies.

The Company has developed an internal human resource management system with contribution value-oriented principle, and striven to create a diverse and inclusive environment. The Company has prohibited any form of discrimination based on gender, ethnicity, race, age, religion, nationality or family status. In order to match the development status, the Company continued to optimise its organisational structure. In 2022, the Company made the three adjustments of the corporate structure.

The Company has formulated the Recruitment and Deployment Management System, Internal Competition Management System and other personnel management systems to specify the employment needs, strictly control the recruitment decision-making process, and offer competitive salaries for core employees and outstanding employees. The Company endeavored to guarantee the basic rights and interests of employees, and provided holiday gifts on holidays to express good wishes to employees and their families.

The Company endeavored to guarantee the rights and interests of female employees. For pregnant employees, the work tasks could be reduced as far as possible, and paid maternity leave could be granted every month. For employees' maternity leave, the maximum maternity leave of 158 days might be granted according to the Beijing standard. For lactating female workers, the Company would offer 1 hour/day lactation leave.

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The Company has made more efforts for a smooth communication mechanism for employees, attached significance to the feedback and opinions of employees, and made improvements according to the suggestions raised by employees, so as to create a working environment good for the work and development of employees.

- Hold a democratic meeting of the department, conduct criticism and self-criticism on work, and make objective and honest evaluation to help all employees grow together.
- Senior executives regularly dine with department employees in the canteen to get closer to them and understand the working conditions of grassroots employees.
- E-mail for employees' comments and suggestions.
- E-mail for employees' complaints and reports.

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Name of Indicators	Unit	2020	2021	2022
Total Number of Employees	Persons	250	515	**246**
Proportion of Female Managers	%	7.20	6.10	**9.20**
Proportion of Ethnic Minority Employees	%	4.00	5.52	**6.00**
Number of Disabled Employees	Persons	0	10	**4**
Classification of Employees by Gender				
Female	Persons	131	283	**135**
Male	Persons	119	232	**111**
Classification of Employees by Recruitment Mode				
Full-time Employees	Persons	247	508	**242**
Total Number of Other Employees	Persons	3	7	**4**
Classification of Employees by Age				
30 years old and under	Persons	93	252	**107**
Between 30 and 40 years old	Persons	108	194	**101**
Between 41 and 50 years old	Persons	32	55	**28**
Above 51 years old	Persons	17	14	**10**
Classification of Employees by Rank				
Senior Management	Persons	10	16	**11**
Middle Management	Persons	37	90	**49**
General Staff	Persons	203	409	**186**
Classification of Employees by Region				
North China Region	Persons	238	505	**240**
South China Region	Persons	1	1	**0**
East China Region	Persons	2	2	**2**
Hong Kong Region, China	Persons	1	1	**1**
Overseas	Persons	8	6	**3**
Turnover Rate of Contract Employees by Gender				
Male	%	24.68	28	**22**
Female	%	23.84	21	**23**
Turnover Rate of Contract Employees by Age				
Aged below 30	%	28.74	22	**25**
Aged 31-40	%	21.43	25	**16**
Aged 41-50	%	13.79	33	**4**
Aged 51 and above	%	0	32	**0.58**
Turnover Rate of Contract Employees by Region				
North China Region	%	25.32	24	**46**
South China Region	%	0	50	**0**
East China Region	%	0	50	**0**
Hong Kong Region, China	%	0	0	**0**
Overseas	%	0	36	**0**
Labor Contract Signing Rate	%	100	100	**100**
Social Insurance Coverage Rate	%	100	100	**100**

2. Health and Safety

In strict accordance with the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, the Procedures for the Declaration of Occupational Hazard Projects, the Measures on the Supervision and Management of the Simultaneous Design, Simultaneous Construction and Simultaneous Use of Occupational Disease Prevention Facilities with the Construction Project, the Evaluation Report on the Control Effect of Occupational Hazards, the Occupational Hazard Test Report and other relevant laws, regulations and documents, the Company strives to protect the rights and interests of employees.

In 2022, the Company's Board formally set up the Production Safety Committee, which is responsible to review and develop the Company's production safety rules and safety training plans, guide and deploy the Company's annual safety management work, and tackle the Company's major safety problems. The Production Safety Committee has set a clear structure and defined the specific duties of employees at all levels.

Immunotech is committed to providing employees with a safe working environment, ensuring the personal safety of employees. Furthermore, the Company conducts occupational health checks and regularly provides safety-related training pursuant to regulations. Subject to the requirements of relevant regulations and documents, the Company performed self-inspection and rectification, personnel health examination and organisational structure change in 2022. During the Reporting Period, the Company had conducted the physical examinations for employees for three times.

- ***Production Safety***

  The Company had set the production safety goal of having no serious injury or death occurring in the year of 2022, and achieved the goals of having no production safety management violations, no occupational contraindications or diseases for employees, no environmental protection violations, no fire risks, and no penalties for hazardous chemicals management.

Design of Protective Measures:

- During the production of biological products, operators shall wear their personal protective equipment pursuant to relevant regulations to avoid any injury to human body.
- The rooms and places that generate harmful gases or waste heat during the production process are designed with mechanical ventilation systems to discharge harmful gases in time.
- In terms of the removal of gas and residual heat, efforts are made to ensure that the concentration of hazardous gases in the workplace meets the requirements of the Limit of Occupational Exposure to Hazardous Factors in the Workplace (GBZ2-2007).

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- The chiller and air compressor room in the power station room and the rooms with larger noise are designed with sound insulation and noise reduction facilities as well as sound absorption ceilings, sound absorption walls, and sound insulation doors and windows. For the noise-generating chiller, air compressor, cooling water pump, cooling tower, air conditioner and ventilator at production workshop and other equipment shall be equipped with energy-saving and noise-reducing products, in addition to the noise reduction, vibration reduction and vibration isolation measures. Through the above measures, the noise in the workplace can be reduced to less than 85dB(A), which meets the relevant requirements in the "Hygienic Standards for Industrial Enterprise Design" (GBZ1-2010).

- The plant is designed with the full use of natural lighting, and artificial lighting is designed according to the requirements of "Architectural Lighting Design Standard" (GB50034-2013). The illumination of main production workshop and office building is 300Lx.

- Summer air-conditioning cooling and winter heating needs are considered in the plant buildings. Air conditioning system has been designed for each production plant to provide a comfortable working environment for operators.

- According to the "Hygiene Standards for Industrial Enterprise Design" (GBZ1-2010) and related design standards, the toilets, changing rooms and other staff welfare facilities are designed, and a drinking water supply point is also provided.

- The Company conducts pre-duty, on-duty and off-duty occupational health checks for employees exposed to poisonous and harmful substances, and establishes employees' personal health files.

- There may be hidden dangers of steam burns when the sterilisation cabinet is used in the production. It is required that the equipment operators must obtain the special equipment operation certificate and regularly check the function of the sterilisation cabinet, and should be provided with protective equipment.

- The use of ozone disinfection may cause potential injury caused by inhalation and respiratory irritation. Provide gas masks and train operators on how to properly use them.

- For the carriage of the goods containing infectious pathogens, the biosafety standard of UN3373 is adopted to transport the goods. The 95kPa biosafety transport bag is used to carry the goods, together with the sealed incubator and sealing strip, so as to ensure the safety of the goods during the transportation.

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The Company has established an occupational health monitoring file, so as to make the early detection of health problems, conduct timely treatment or take corresponding measures to prevent serious consequences. Furthermore, the Company conducts an occupational poisoning hazard factor test for toxic workplaces once a year to reduce the occurrence of safety accidents.

Production Safety Training

- In May 2022, the Company organised the training on safety precautions in alkaline washing and passivation operations of process pipeline, involving all employees in this operation.

- In November 2022, the Company organised the training on the safe use and maintenance of liquid nitrogen tanks, covering all relevant employees.

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Training on Safe Operation of Liquid Nitrogen Tank

In order to further strengthen the employees' awareness of safety production and health, enhance the capability and level of safety prevention and control, the Company conducted the training on the safe operation of liquid nitrogen tank. Through a lot of domestic and foreign cases of liquid nitrogen related production safety accidents, the training provided the basic knowledge of liquid nitrogen, production safety knowledge, the way of using liquid nitrogen tank and the accident handling measures, enabling the production personnel to realise the importance of production safety, and effectively enhancing the production personnel's capability to self-rescue and self-protection. The content of the whole training was theoretical, practical and operable, strengthening the trainees' red-line awareness of production safety.

Name of Indicator	Unit	2020	2021	2022
Investment in safety training	RMB'000	–	180	**95.8**
Investment in production safety	RMB'000	–	5,143	**1,072**
Sessions of safety training	Sessions	–	6	**11**
Safety training coverage	%	–	100	**100**
Number of safety emergency drills	Times	–	2	**10**
Injury frequency	Injury persons per 1 million working hours	0	0	**0**
Major safety accident	Occurrences	0	0	**0**
Occurrence person-times of occupational diseases	Person-times	0	0	**0**
Coverage of physical examination and health records	%	100	100	**100**

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3. Development and Training

The Company adheres to the talent values of "unwilling to mediocrity, create value and willing to share the future with the Company", and has formulated a special Training Management System. In 2022, the Company provided targeted training courses based on the occupational needs of employees at different levels. More than 20 sessions of off-line training activities were carried out throughout the year, including new employee training series and special training series (regulations, quality management, immunology and so on), with a total of 800 on-site trainees. The coverage rate of employee training was more than 90%.

Training Content	Trainees
GMP related course training	GMP controlled departments
Professional skill training	Specific departments
General knowledge training	All employees
New employee training	New employees

- ***Leadership Training***

  In 2022, the Company conducted the leadership training through monthly executives sharing, corporate WeChat push, leadership seminars and other channels to consolidate the corporate culture of Immunotech. Furthermore, the Company carried out the four sessions of "Immunotech Culture Practitioner" series activities, with more than 500 participants in total.

- ***New Employee Training***

  During the Reporting Period, the Company carried out 8 sessions of new employee online training activities at the Company level, with 31 participants in total. New employees are provided with training upon entry. In the first time, the Company has done a good job in promoting the corporate culture and occupational safety knowledge to employees.

- ***Special Training***

  During the Reporting Period, the Company organised and conducted a total of 15 sessions of professional promotion training activities, including Medical immunology, Verification Management, Interpretation of Regulations, How to Do a good Job in Recovery, Deviation Management, etc., so as to do a good job in staff empowerment from regulations to quality management and then to practical tools, thereby comprehensively enhancing the professional quality, business management capability and the basic medical knowledge of employees.

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Case: Special Training on Immunology Course

The Company has organised 5 sessions of Special Training on Immunology Course for all employees. The training teacher imparted the professional knowledge of immunology to the trainees in plain language, so that they had an in-depth understanding of the basic principles of immunology and were more familiar with the working mechanism of the Company's immune products. In a word, the training has benefited everyone a lot.

- ***On-the-job Training***

Every employee in the business line shall complete all the online document learning and offline practical operation drills required for the position before taking a new post, transferring a post, re-posting or increasing a post, and shall pass the assessment before taking the job. The Company shall ensure that all employees meet the job requirements and their business operations reach the requirements of SOP, so as to produce qualified products.

- ***Establishment of Learning Platforms***

The Company has set up the three online training platforms, namely Magic School, TMS and Yaozhi, to satisfy the Company's needs for employees' personal ability, GMP management ability and business management ability. During the Reporting Period, the Company worked through the learning platforms to achieve 100% of the training participation rate of employees.

Magic School	Since the opening of the platform, it has completed the development of 8 independent courses, covering company profile, confidentiality management, employee relations, EAL® process introduction, etc. Furthermore, Magic School has a large number of general management courses, through which 1,000 people have completed the learning.
TMS	TMS system greatly meets the training needs of GMP controlled personnel; So far, all departments have completed more than 1,100 sessions of documentation training, more than 260 sessions of temporary training, and more than 1,000 sets of test papers.
Yaozhi Platform	Through the cooperation with the professional pharmaceutical learning platforms, the Company has brought more comprehensive knowledge in this field and more professional analysis and interpretation of regulations, covering the interpretation of various regulations regarding the pharmaceutical industry, registration, inspection, quality management, computer system, etc., thus comprehensively enhancing the quality management awareness of employees.

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Name of Indicator	Unit	2020	2021	2022
Percentage of Trained Employees by Gender				
Male employees	%	46.15	45.05	**45.94**
Female employees	%	53.85	54.95	**54.06**
Percentage of Trained Employees by Rank				
Senior management	%	0.85	2.72	**0.57**
Middle management	%	4.24	13.79	**2.27**
General staff	%	94.92	85.44	**97.16**
Average Training Hours of Employees by Gender				
Male employees	Hours	23	80	**37**
Female employees	Hours	21	90	**39**
Average Training Hours of Employees by Rank				
Senior management	Hours	30	3	**8**
Middle management	Hours	15	56	**10**
General staff	Hours	23	92	**48**
Investment in employee training	RMB Million	0.82	1.85	**0.5**
Total training hours of employees	Hours	9,158	39,304	**12,984**
Total person-times of employee training	Person-times	4,745	61,025	**44,566**
Total number of employees trained	Persons	208	515	**226**
Coverage rate of employee training	%	83.20	98.10	**90.40**

4. Labor Standards

The Company strictly abides by the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, and other laws and regulations, strictly complies with the laws and regulations on prohibiting child labor and forced labor, to protect the legitimate rights and interests of employees. Furthermore, the Company has established a complete personnel recruitment process, adhered to employment under the law, regulated the management of labor relations, discipline, attendance and others through the Employee Handbook, and promptly settled disputes in respect of labor. This year, the Company had no violations of child labor and forced labor.

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VI. CONDUCT LOW-CARBON OPERATION AND PROTECT THE GREEN HOMELAND

The Company strictly abides by the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes, the Law of the People's Republic of China on the Prevention and Control of Air Pollution, the Law of the People's Republic of China on the Prevention and Control of Water Pollution, and other relevant laws and regulations and industrial policies. Furthermore, the Company has established and constantly improved the internal environmental management standards and systems. In 2022, based on the previous management, the Company formulated an Emergency Plan for Environmental Emergencies and filed it with the competent authority for the record.

1. Emissions

Immunotech has strictly complied with the "Discharge Permit", the "Approval by Beijing Environmental Protection Bureau on the Environmental Impact of Cell Preparation R&D and Production Project" and other relevant policy documents, and pushed forward with the concept of green production. The Company set its annual environmental protection goals in the form of the "Annual Safety and Environmental Protection Responsibility Statement", and strengthened the environmental protection responsibility awareness of employees at all levels of the Company. The Company has made further efforts to mitigate the negative impact on the environment through the construction and operation & maintenance of sewage stations, construction and operation of sewage online monitoring system, condensate recovery, installation of waste gas treatment devices, collection and disposal of hazardous wastes, operation & maintenance of environmental protection facilities and equipment, etc. In 2022, the environmental protection investment made by the Company reached RMB9.06 million.

Goals for emission management: By improving the capacity and efficiency of sewage treatment equipment, to realise the reduction of the total discharge of chemical oxygen demand and the reduction of the total discharge of ammonia nitrogen in waste water by 15% and 10% respectively in 2025 as compared with 2021; by taking the measures such as classified and refined management, to realise the reduction of the total amount of hazardous wastes by 10% in 2025 as compared with 2021; by taking the measures such as improving the purification efficiency of exhaust gas treatment devices and reasonably adjusting the frequency of disinfection, to realise the decrease of the total amount of exhaust gas by 10% in 2025 as compared with 2021 (the emission data of projects under construction and new projects during the period is not included).

- ***Greenhouse Gas***

  The Company's major greenhouse gas emissions come from the energy used for production and operations. The Company has developed the "Power Energy Management Procedures" and other related policies to cut energy consumption from production and operation, thus reducing greenhouse gas emissions. Furthermore, the Company has formulated the "Office Area Management System", the "Regulations on Energy Control and Management in Office Areas", "Staff Canteen Management System", the "Regulations on Traffic Management within the City" and other relevant policies and norms, advocated green office and green travel among employees, and reduced the greenhouse gas emissions generated during the business operation and staff commuting.

- ***Exhaust Gas***

The exhaust gas emissions generated by the Company mainly come from drug R&D and production, and the main pollutants include nitrogen oxides, hydrogen sulfide, particulate matter, non-methane total hydrocarbons, ammonia (ammonia), hydrogen chloride, methanol, sulfur dioxide, Ringelmann emittance, etc. The Company has reduced the emissions of exhaust pollutants through the installation of activated carbon adsorption devices. During the Reporting Period, the Company added the waste gas recovery system in the laboratory area and discharged the waste gas from production and inspection after the treatment through filters, thus effectively reducing the pollution.

During the Reporting Period, the Company discharged the exhaust gas according to the emission monitoring requirements of the Pollutant Discharge Permit, and the emission of pollutants discharged with exhaust gas reached the standards.

Activated Carbon Adsorption Device

Environmental, Social and Governance Report

- ***Waste Water***

  The wastewater generated by the Company is mainly inactivated wastewater and cleaning wastewater, and the main control indicators include pH, COD and ammonia nitrogen. The Company has adopted the process of "hydrolytic acidification + contact oxidation + disinfection" to ensure that the discharged wastewater meets the relevant requirements. In addition, the Company has increased the steam condensate recovery system to recycle the steam condensate in the workshop, thus reducing the waste water discharge.

  During the Reporting Period, the Company conducted the online monitoring of relevant emissions in strict compliance with the comprehensive discharge standard of water pollutants DB11/307-2013 and the discharge standard of water pollutants for the biological engineering pharmaceutical industry GB21907-2008, so as to ensure that the discharged wastewater pollutants reached the standard.

- ***Solid Waste***

  The major hazardous waste of the Company is the organic waste liquid generated in R&D and experiment processes, the reaction residual liquid generated in R&D and experiments and separation and purification processes, the waste culture media generated in R&D and testing processes, and the medical waste generated in trial production. The hazardous waste generated is temporarily stored in the temporary storage room for hazardous waste, which is then handled by professional third-party agencies in compliance with regulations. General industrial solid waste is mainly domestic waste and waste packaging materials, which are regularly cleared and transported by the local sanitation department.

  The Company has endeavored to reduce the consumption of raw materials and the generation of waste by replacing them with environmentally friendly materials, optimizing production and experimental processes, standardizing the operations of laboratories and production personnel.

Environmental, Social and Governance Report

- ***Noise***

The Company has endeavored to reduce the noise pollution generated in the production process. In the construction process of the new factory, vibration reduction and vibration isolation measures were taken for all process equipment and public facilities generating vibration so that the vibration intensity was in compliance with the requirements of the current national standard "Urban Area Environmental Vibration Standard". The Company also carried out noise monitoring regularly within the plant boundary that the noise met the standard.

Name of Indicator	Unit	2020	2021	**2022**
Total GHG emissions[1]	Tonnes	2,092.05	3,564.82	**5,570.43**
Scope 1 GHG Emissions[1]	Tonnes	43.73	26.24	**442.98**
Scope 2 GHG emissions[1]	Tonnes	2,048.32	3,538.58	**5,127.45**
CO_2 emissions per Employee[4]	Tonnes/person	8.37	6.92	**22.64**
Total VOCs emissions[2]	kg	1,073	52	**30**
Total generations of hazardous waste[3]	Tonnes	14.5	27.85	**22.55**
Hazardous waste generations per Employee[4]	kg/person	58	54.08	**91.64**
Total generations of non-hazardous waste	Tonnes	28.2	69.8	**40**
Non-hazardous waste generations per Employee[4]	kg/person	112.8	135.53	**162.60**
Total wastewater discharges	Tonnes	16,440	8,806	**2,214**
Total packaging waste	kg	720	1,300	**800**

Notes:

1. GHG emissions are calculated based on the "GHG Protocol Corporate Accounting and Reporting Standard 2012 (Revised Edition)" issued by the World Resources Institute (the "**WRI**") and the World Business Council for Sustainable Development (the "**WBCSD**") and the "Fifth Assessment Report 2013" issued by the Intergovernmental Panel on Climate Change (the "**IPCC**"), and relevant calculation, in which the electronic GHG emission factor was selected with reference to the "Guidelines for Accounting and Reporting GHG Emissions of Enterprises Power Generation Facilities (2022 Revision)" issued by the Ministry of Ecology and Environment;

2. VOCs emissions data is calculated based on the submitted and approved pollutant discharge permit of the Company;

3. Hazardous waste emissions are calculated based on the statistical ledger of the Company's production system;

4. Intensity data is calculated by dividing emissions/production volume by the total number of employees.

Environmental, Social and Governance Report

2. Use of Resources

The Company has formulated the "Regulations on the Management of Power Energy", which specifies the use standards of energy and water resources. The Company incorporated the further efforts for energy conservation and consumption reduction into its daily management, established the energy management and use process, clearly strengthened the advocacy of the energy conservation and consumption reduction concept, and stipulated that the energy management inspection shall be conducted once a month.

- ***Energy Management***

  The Company conducted systematic analysis of equipment energy consumption, filtered out high energy consumption equipment, dynamically monitored the operation data, sent timely warning to abnormal data, identified the cause for correction, continuously optimised it, and allocated responsibilities to specific employees. In addition, the Company organised relevant departments to reassess the operation mode of the air conditioners, and adjusted them to the economic operation mode on the premise of controllable risks. The Company made precise regulation of the air conditioners according to seasonal changes so as to minimise the loss of cold and heat sources under the condition of controllable temperature and humidity. When there is no need for the use of air conditioners, the Company stipulates that the employees on duty should be notified to shut them down in the first time. Furthermore, the employees on duty shall be arranged to make regular inspection, take the initiative to monitor them, identify the situation not reported in time, report it, shut them down in time, and reduce the invalid operation time of the air conditioners. Besides, the Company also made scientific and reasonable arrangement of production, optimised the quality work plan, conducted the intensive, systematic and mass production, and reduced the occurrence of temporary, extra and abnormal work, so as to ensure the maximum use efficiency of energy.

- ***Management of Water Resources***

  The Company has mainly consumed purified water in the cleaning and sterilisation process of equipment and containers in clean workshops, working clothes washing process, and pure steam and injection water preparation process. In order to cut the use of water resources, the Company has increased the steam condensate recovery system to recover and recycle the steam condensate in the workshop, thereby reducing both the waste water discharge and natural gas consumption at the same time.

  In 2023, the Company has set the water resource management target that the annual water consumption of Guosheng Plant in 2023 will decline by 5% compared with 2022, and the annual water consumption of Lidman Plant in 2023 will decline by 5% compared with 2022 (The full-year data are converted according to the actual data in the second half of the year).

Environmental, Social and Governance Report

Name of Indicator	Unit	2020	2021	2022
Comprehensive Energy Consumption[1]	MWh	3,052.06	5,904.88	**11,060.48**
Power Consumption	MWh	2,877.26	5,800	**8,825.22**
Natural Gas Consumption	M^3	–	–	**206,697**
Energy Consumption per Employee[2]	MWh/person	12.21	11.47	**44.96**
Water Consumption	Tonnes	7,836.72	24,000	**26,084**
Water Consumption per Employee[2]	Tonnes/person	31.35	46.60	**106.03**

Notes:

1. Energy consumption is calculated based on the "General Principles for Calculation of Comprehensive Energy Consumption (GB/T 2589-2020)" issued by the National Energy Foundation and Management Standardisation Technical Committee, and relevant calculation.

2. Intensity data is calculated by dividing the emissions/production volume by the total number of employees.

3. Environment and Natural Resources

- ***Green Production***

The Company attaches importance to the concept of green environmental protection and incorporates it into the production and construction projects. All purification workshops in R&D and production centres in Beijing have obtained the inspection report of clean workshop (area) from qualified third-party inspection agencies. The new biopharmaceutical R&D and industrialisation base project has met the certification requirements of the national Green Building Evaluation Standard and the Green Industrial Building Evaluation Standard, of which the design reaches the national green two-star standards. In 2022, the Company's Leadman project was completed and put into production.

Leadman Project

Environmental, Social and Governance Report

The building includes the following green designs:

- Integrated design of process, construction, structure and equipment, integrated design of civil engineering and interior decoration; according to the process requirements, the architectural design elements are simple and the decorative components are moderate.
- Durability measures of construction materials and products are in compliance with the prevailing national standards.
- Recommended that building materials or products approved by the State are used.
- Autoclaved aerated concrete and autoclaved fly ash bricks, which are made of waste, are used as construction materials of walls, accounting for not less than 30% of the total amount of the same type of construction materials available.
- The recycle performance of materials is considered in the selection of building materials.
- The transportation distance of major construction materials is limited to 500km.
- All interior decoration materials are environmental friendly materials, and comply with the "Standard for Indoor Environmental Pollution Control of Civil Building Engineering (2013 Edition)". The limits of hazardous substances such as radioactivity, formaldehyde and VOC shall comply with the corresponding national standards.
- Vibration reduction and vibration isolation measures are adopted for the vibration generated by all process equipment and public facilities, and the vibration strength is in line with the current national standard of the "Environmental Vibration Standards for Urban Areas".
- The light pollution caused by glass curtain wall, lighting setting, exterior wall finishing materials and etc. of buildings is in compliance with the existing requirements of relevant national standards.

Environmental, Social and Governance Report

- ***Green Storage***

  The Company has formulated the "Green warehouse Requirements and Evaluation", and set up high shelves in Lidman factory warehouse, thereby making the best use of room height and decreasing the floor area. In terms of storage management, the Company adopted indoor air intake to ensure that the comprehensive energy consumption was reduced on the premise that the warehouse temperature requirement is met. Furthermore, tools such as electric forklifts and hand-made pallet truck were used to reduce energy use in the storage process. Reasonable lighting distribution was made in the warehouse area, and lighting in different areas was used according to the operation areas. In addition, the Company has, through the ERP system, optimised the cargo space management and improved the cargo space density comprehensively and the effective storage capacity.

- ***Green Logistics***

  As for the goods that might be transported across provinces, the Company chooses to transport them by high-speed rail, which is low-carbon and environmentally-friendly, and different from the traditional freight vehicle transport. In the terms of transport of small batch or small volume of the goods, the Company is, according to the energy-saving and cost-reducing principle, more likely to use vehicles for delivering them instead of medium and large transport vehicles. When choosing to entrust third-party logistics carriers for transportation, the Company prefers new energy vehicles. In addition, the Company has also purchased its own logistics fuel-free trucks to reduce the use of fossil energy during transportation.

Environmental, Social and Governance Report

4. Climate Change

The Company attaches significance to the impact of climate change on its business and the society, and endeavors to mitigate the impact of its production and operation on climate change through green production and green office work. When assessing and determining ESG risks, the Board incorporates climate change-related risks and proposes countermeasures for important climate risk factors generated by the Company, which are carried out by the Company's ESG working group and relevant departments.

Climate Risk			Response Strategy
Physical Risk	Acute risk	Impact of extreme weather caused by climate change on the production and operation	The Company has formulated a public emergency management system, established an emergency plan for environmental emergencies, set up an environmental emergency headquarters with an emergency office, which is composed of the logistics support team, communication liaison team, environmental monitoring team and the emergency organisation system of the emergency disposal team. In case of environmental emergencies, the emergency leadership group shall immediately start emergency response plan for environmental emergencies, arrange emergency rescue team to rescue victims, and do a good job in on-site personnel evacuation and public order maintenance; It shall control hazard sources, take measures to cut off pollution routes, prevent the occurrence of secondary and derivative disasters and the expansion of hazards, and minimise the impact on the surrounding environment. It shall also fulfill the responsibility of promptly contacting the emergency monitoring department for monitoring.

Environmental, Social and Governance Report

Climate Risk			Response Strategy
	Chronic risk	Impact caused by rising average temperature on the logistics	Based on the transportation radius requirements of EAL® products, in addition to Beijing, the Company has promoted the establishment of production centres in the Yangtze River Delta, Pearl River Delta, Sichuan and Chongqing, covering densely populated areas in China, to resolve the product preservation problem triggered by climate change and to satisfy the future commercial needs.
Transition Risk	Market risk	Climate change gets customers sicker and their demand more urgent	
	Policy and legal risks	Penalties and supply chain risks caused by increased regulatory requirements	The Board shall assess and determine ESG risks in respect of the Company and promptly follow up the latest policy progress. In addition, it shall intensify the ESG management of the supply chain, formulate the Relevant Party Safety Management System and other systems and measures, and specify the production safety management requirements for contractors and the suppliers, so as to enhance the ESG risk resistance capability of the supply chain.
	Technological risk	Further increase in R&D and operating costs caused by the low-carbon transformation	The Company has actively pushed forward with green transformation by enhancing energy efficiency and adapting to the green development trend. In 2023, the Company set the energy management target of reducing the annual energy consumption of Guosheng Plant in 2023 by 15% compared with 2022, and the annual energy consumption of Lidman Plant in 2023 by 5% compared with 2022 (The full-year data are converted according to the actual data in the second half of the year).

Environmental, Social and Governance Report

VII. MUTUAL ASSISTANCE FOR PUBLIC BENEFITS TO BRING TOGETHER THE GOOD OF SOCIETY

1. Community Welfare

The Company adheres to the policy of giving back to the society. While striving to achieve the Company's mission of "Let life extend through us", we have constantly contributed to the society and performed our corporate social responsibility.

In 2022, the Company had organised the "Love from Sincere Immunotech" donation campaign for the second consecutive year, calling on employees to donate used clothes, used books and others to the disadvantaged groups in need, which has contributed to the community development.

Environmental, Social and Governance Report

INDEX TO THE HKEX GUIDES

Aspect	Content	Location of Disclosure
A1 Emissions	General Disclosure	VI. Conduct Low-carbon Operation and Protect the Green Homeland
	A1.1 The types of emissions and respective emissions data	1. 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)	1. Emissions
	A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	1. Emissions
	A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	1. Emissions
	A1.5 Description of emissions target(s) set and steps taken to achieve them	1. Emissions
	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	1. Emissions
A2 Use of Resources	General Disclosure	VI. Conduct Low-carbon Operation and Protect the Green Homeland
	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. Use of Resources
	A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility)	2. Use of Resources
	A2.3 Description of energy use efficiency target(s) set and steps taken to achieve them	2. Use of Resources
	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. Use of Resources
	A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	3. Environment and Natural Resources

Environmental, Social and Governance Report

Aspect	Content	Location of Disclosure
A3 The Environment and Natural Resources	General Disclosure	VI. Conduct Low-carbon Operation and Protect the Green Homeland
	A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	3. Environment and Natural Resources
A4 Climate Change	General Disclosure	VI. Conduct Low-carbon Operation and Protect the Green Homeland
	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	4. Climate Change
B1 Employment	General Disclosure	V. Empower Employees to Work Together for Common Development
	B1.1 Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region	1. Employment
	B1.2 Employee turnover rate by gender, age group and geographical region	1. Employment
B2 Health and Safety	General Disclosure	V. Empower Employees to Work Together for Common Development
	B2.1 Number and rate of work-related fatalities occurred in each of the past three years including the reporting year	2. Health and Safety
	B2.2 Lost days due to work injury	2. Health and Safety
	B2.3 Description of occupational health and safety measures adopted, and how they are implemented and monitored	2. Health and Safety
B3 Development and Training	General Disclosure	V. Empower Employees to Work Together for Common Development
	B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	3. Development and Training
	B3.2 The average training hours completed per employee by gender and employee category	3. Development and Training

Environmental, Social and Governance Report

Aspect	Content	Location of Disclosure
B4 Labour Standards	General Disclosure	V. Empower Employees to Work Together for Common Development
	B4.1 Description of measures to review employment practices to avoid child and forced labour	4. Labor Standards
	B4.2 Description of steps taken to eliminate such practices when discovered	4. Labor Standards
B5 Supply Chain Management	General Disclosure	IV. Breakthrough of Innovations and Extension of Lives
	B5.1 Number of suppliers by geographical region	6. Supplier Management
	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	6. Supplier Management
	B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored	6. Supplier Management
	B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored	6. Supplier Management
B6 Product Responsibility	General Disclosure	IV. Breakthrough of Innovations and Extension of Lives
	B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons	2. Product Safety and Quality
	B6.2 Number of products and service related complaints received and how they are dealt with	2. Product Safety and Quality
	B6.3 Description of practices relating to observing and protecting intellectual property rights	1. Product R&D
	B6.4 Description of quality assurance process and recall procedures	2. Product Safety and Quality
	B6.5 Description of consumer data protection and privacy policies, and how they are implemented and monitored	5. Rights and Interests and Privacy Protection of Subjects

Environmental, Social and Governance Report

Aspect	Content	Location of Disclosure
B7 Anti-corruption	General Disclosure	III. Consolidate the Foundation for Development Through Steady Operation
	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. Business Ethics and Anti-corruption
	B7.2 Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored	3. Business Ethics and Anti-corruption
B8 Community Investment	General Disclosure	VII. Mutual Assistance for Public Benefits to Bring together the Good of Society
	B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	1. Community Welfare
	B8.2 Resources contributed (e.g. money or time) to the focus area	1. Community Welfare

Independent Auditor's Report

Deloitte. 德勤

TO THE MEMBERS OF IMMUNOTECH BIOPHARM LTD
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Immunotech Biopharm Ltd (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 124 to 200, 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, consolidated statement of changes in equity and 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") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

Independent Auditor's Report

KEY AUDIT MATTER

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

Key audit matter	How our audit addressed the key audit matter
Recognition and cut-off of outsourcing service fees	

We identified the recognition and cut-off of outsourcing service fees as a key audit matter due to its significance and the estimation involved in allocating the outsourcing service fees paid and payable to contract research organisations, clinical site management operators, and clinical trial centres mainly being hospitals (collectively referred as "Outsourced Service Providers") in the appropriate financial reporting period.

As disclosed in Note 11 to the consolidated financial statements, the Group incurred outsourcing service fees amounting to approximately RMB31 million for the year ended 31 December 2022, representing the second largest item of the Group's research and development ("R&D") expenses besides staff costs. The R&D activities with these Outsourced Service Providers are documented in detailed agreements and are typically performed over a specified period. Allocation of these expenses to the appropriate financial reporting period based on the progress of the R&D projects involves estimation.

Our procedures included:

- Testing the design and implementation of management's key controls relevant to our audit to monitor the progress of outsourced R&D activities and recording of relevant R&D expenses;
- Inquiring the project managers of certain Outsourced Service Providers and inspecting the relevant supporting documents to understand the progress of R&D projects at year end;
- Checking with the Outsourced Service Providers in respect of the progress of the services provided, on a sample basis, for the year ended 31 December 2022;
- Checking the accrual of service expenses in relation to major Outsourced Service Providers with reference to actual progresses at year end against the relevant terms in the respective service agreements to evaluate the completion status to determine whether the service fees were recorded based on respective contract sums, progress and/or relevant milestones achieved; and
- Testing the payments of service fees to Outsourced Service Providers on a sample basis.

Independent Auditor's Report

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Lung, Wing Hung David.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 March 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	NOTES	For the year ended 31 December 2022 RMB'000	2021 RMB'000
Other income	7	**9,087**	17,755
Other gains and losses, net	8	**(36,335)**	(23,540)
Administrative expenses		**(97,708)**	(104,254)
Research and development expenses		**(176,223)**	(240,610)
Finance costs	9	**(6,135)**	(3,678)
Other expenses	7	**(13,781)**	(288)
Loss before tax		**(321,095)**	(354,615)
Income tax expense	10	**–**	–
Loss and total comprehensive expense for the year	11	**(321,095)**	(354,615)
Loss and total comprehensive expense for the year attributable to:			
Owners of the Company		**(318,109)**	(354,224)
Non-controlling interests		**(2,986)**	(391)
		(321,095)	(354,615)
Loss per share (RMB)	15		
Basic		**(0.62)**	(0.69)
Diluted		**(0.62)**	(0.69)

Consolidated Statement of Financial Position

At 31 December 2022

	NOTES	As at 31 December 2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**527,251**	426,588
Intangible assets	17	**42,486**	14,250
Prepayments, deposits and other receivables	20	**48,881**	80,499
Contract costs	18	**720**	976
Financial assets at fair value through profit or loss ("FVTPL")	19	**140,175**	163,176
Pledged bank deposits	22	**1,810**	–
		761,323	685,489
CURRENT ASSETS			
Contract costs	18	**256**	256
Financial assets at FVTPL	19	**21,010**	–
Prepayments, deposits and other receivables	20	**31,187**	47,737
Materials for research and development project	21	**7,213**	10,866
Bank balances and cash	23	**58,448**	353,341
		118,114	412,200
CURRENT LIABILITIES			
Contract liabilities	24	**710**	710
Trade and other payables	25	**167,989**	154,706
Lease liabilities	26	**26,056**	20,209
Deferred government grants	27	**3,650**	4,476
Other financial liability	28	**10,069**	–
		208,474	180,101
NET CURRENT (LIABILITIES) ASSETS		**(90,360)**	232,099
TOTAL ASSETS LESS CURRENT LIABILITIES		**670,963**	917,588

Consolidated Statement of Financial Position

At 31 December 2022

	NOTES	As at 31 December 2022 RMB'000	2021 RMB'000
NON-CURRENT LIABILITIES			
Contract liabilities	24	**1,984**	2,694
Lease liabilities	26	**122,750**	90,845
Deferred government grants	27	**38,860**	870
Bank borrowing	29	**1,000**	–
		164,594	94,409
NET ASSETS		**506,369**	823,179
CAPITAL AND RESERVES			
Share capital	30	**3,576**	3,576
Reserves		**504,859**	818,683
Equity attributable to owners of the Company		**508,435**	822,259
Non-controlling interests		**(2,066)**	920
TOTAL EQUITY		**506,369**	823,179

The consolidated financial statements on pages 124 to 200 were approved and authorised for issue by the board of directors on 24 March 2023 and are signed on its behalf by:

Tan Zheng
DIRECTOR

Wang Yu
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Attributable to owners of the Company								
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000 (Note i)	Statutory surplus reserve RMB'000 (Note ii)	Share option reserve RMB'000 (Note 32)	Accumulated losses RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021	3,576	1,402,498	180,349	2,001	152,108	(612,995)	1,127,537	1,311	1,128,848
Loss and total comprehensive expense for the year	–	–	–	–	–	(354,224)	(354,224)	(391)	(354,615)
Recognition of equity-settled share-based payment	–	–	–	–	48,946	–	48,946	–	48,946
At 31 December 2021	3,576	1,402,498	180,349	2,001	201,054	(967,219)	822,259	920	823,179
Loss and total comprehensive expense for the year	–	–	–	–	–	(318,109)	(318,109)	(2,986)	(321,095)
Recognition of equity-settled share-based payment	–	–	–	–	4,285	–	4,285	–	4,285
At 31 December 2022	**3,576**	**1,402,498**	**180,349**	**2,001**	**205,339**	**(1,285,328)**	**508,435**	**(2,066)**	**506,369**

Notes:

i Capital reserve represents (i) the difference amounting to RMB191,990,000 of the capital contribution from certain investors of Immunotech Applied Science Limited* (北京永泰生物制品有限公司) ("Beijing Yongtai") and new paid-in capital issued to those investors; (ii) a net amount of RMB11,641,000 recognised against capital reserve arising from a group reorganisation completed in 2018.

ii Pursuant to the relevant laws and regulations in the People's Republic of China (the "PRC"), the PRC subsidiaries with limited liability are required to make annual appropriations to statutory surplus reserve of 10% of after-tax profits at each year end until the balance reaches 50% of the relevant PRC subsidiary's registered capital.

* English name is for identification purpose only

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	NOTES	For the year ended 31 December 2022 RMB'000	2021 RMB'000
OPERATING ACTIVITIES			
Loss before tax		**(321,095)**	(354,615)
Adjustment for:			
Interest income		**(3,201)**	(7,556)
Exchange (gain) loss, net		**(648)**	127
Depreciation of property, plant and equipment	11	**42,054**	19,856
Amortisation of intangible assets	11	**2,017**	1,149
Loss on disposal of property, plant and equipment	8	**636**	94
Finance costs	9	**6,135**	3,678
Loss on early termination of leases	8	**255**	–
Impairment loss reversed on an intangible asset	8	**–**	(1,304)
Fair value loss on financial assets at FVTPL, net	8	**24,020**	18,793
Fair value loss on other financial liability	8	**10,069**	–
Release of deferred government grants	27	**(4,036)**	(2,894)
Recognition of equity-settled share-based payment		**4,285**	48,946
Issue costs for convertible bonds	7	**13,493**	–
Operating cash flows before movements in working capital		**(226,016)**	(273,726)
Movements in working capital:			
Decrease (increase) in prepayments, deposits and other receivables		**29,481**	(12,811)
Decrease (increase) in materials for research and development project		**3,653**	(6,891)
Decrease in contract costs		**256**	256
Decrease in contract liabilities		**(710)**	(710)
Increase in trade and other payables		**8,414**	38,869
Increase in deferred government grants		**4,000**	360
NET CASH USED IN OPERATING ACTIVITIES		**(180,922)**	(254,653)

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	NOTE	For the year ended 31 December 2022 RMB'000	2021 RMB'000
INVESTING ACTIVITIES			
Interest received		**4,866**	5,570
Payments for purchase of property, plant and equipment		**(68,152)**	(146,014)
Acquisition of financial assets at FVTPL		**(22,029)**	(50,000)
Payments for leasehold lands		**(20,870)**	(12,906)
Payments for intangible assets		**(7,545)**	(22,319)
Payments for rental deposits		**–**	(2,665)
Proceeds from disposal of property, plant and equipment		**1,502**	213
Proceeds from early termination of lease agreements		**134**	–
Withdrawal of bank deposits with original maturity over three months		**230,085**	–
Placement of bank deposits with original maturity over three months		**(130,000)**	(100,085)
Placement of pledged bank deposits		**(1,810)**	–
Government grants received		**37,200**	–
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**23,381**	(328,206)
FINANCING ACTIVITIES			
Repayment of lease liabilities		**(17,432)**	(7,321)
Interest paid		**(6,135)**	(3,678)
New bank borrowing raised		**1,000**	–
Payments for issue costs of convertible bonds		**(13,493)**	–
NET CASH USED IN FINANCING ACTIVITIES		**(36,060)**	(10,999)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(193,601)**	(593,858)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**251,401**	845,386
Effect of foreign exchange rate changes		**648**	(127)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	23	**58,448**	251,401

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

1. GENERAL INFORMATION

Immunotech Biopharm Ltd (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law Chapter 22 (Law of 3 of 1961, as consolidated and revised) of the Cayman Islands on 11 April 2018. Its ordinary shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 10 July 2020. The address of the Company's registered office is at PO Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands. The principal place of business of the Company is at 8/F, Block 1, Guosheng Technology Park, No.1 Kangding Street, Beijing Economic-Technological Development Area, Beijing, the PRC.

The principal activity of the Company is investment holding and its subsidiaries are mainly engaged in research and development, manufacturing and commercialisation of immune cell products for treatments of cancers in the PRC. The Company and its subsidiaries are hereinafter collectively referred to as the "Group".

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company and its subsidiaries.

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

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (the "IASB") for the first time, which are mandatorily effective for the Group's annual period on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018-2020

The application of the amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1	Non-current Liabilities with Covenants[3]
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 a date to be determined.
3. Effective for annual periods beginning on or 1 January 2024.

The directors of the Company (the "Directors") anticipate that the application of all the new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

In preparation of the consolidated financial statements for the year ended 31 December 2022, the Directors have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceed its current assets by RMB90,360,000. Taking into account the financing completed in February 2023 as disclosed in Note 42 and the cash flow projections for the next twelve months, the Directors are satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the next twelve months from the end of the reporting period. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Contractual Arrangements

Owing to the restrictions imposed by the relevant laws and regulatory regime of the PRC on foreign ownership of companies engaged in the gene therapy business carried out by a subsidiary of the Group, namely Beijing Yongtai Ruike Biotechnology Company Ltd* (北京永泰瑞科生物科技有限公司) ("Yongtai Ruike"), Beijing Yongtai entered into the contractual arrangements (the "Contractual Arrangements") with Yongtai Ruike and its equity holders on 10 September 2018, which enable Beijing Yongtai and the Group to:

- expose, or have rights, to variable returns from their involvement with Yongtai Ruike and have ability to affect those returns through its power over Yongtai Ruike;
- exercise equity holders' controlling voting rights of Yongtai Ruike;
- receive substantially all of the economic interest returns generated by Yongtai Ruike in consideration for the business support, technical and consulting services provided by Beijing Yongtai;
- obtain an irrevocable and exclusive right to purchase all or part of equity interests in Yongtai Ruike from its equity holders at RMB1 or the lowest price allowed by the PRC laws. Beijing Yongtai may exercise such options at any time until it has acquired all equity interests and/or all assets of Yongtai Ruike. In addition, Yongtai Ruike is not allowed to sell, transfer, or dispose of any assets, or make any distributions to its equity holders without prior consent of Beijing Yongtai; and
- obtain a pledge over the entire equity interest of Yongtai Ruike from its equity holders as collateral security to guarantee performance of their contractual obligations under the Contractual Arrangements.

The Group does not have any equity interest in Yongtai Ruike. However, as a result of the Contractual Arrangements, the Group has power over Yongtai Ruike, has rights to variable returns from its involvement with Yongtai Ruike and has the ability to affect those returns through its power over Yongtai Ruike and is considered to have control over Yongtai Ruike. Consequently, the Company regards Yongtai Ruike as an indirect subsidiary for accounting purpose. The Group consolidates the assets, liabilities, income and expenses of Yongtai Ruike upon the execution of the Contractual Arrangements.

* English name is for identification purpose only

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Contractual Arrangements (Continued)

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

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

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

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers

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

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

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

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

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

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

Revenue from contracts with customers which are not derived from the Group's ordinary course of business are presented as other income.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers (Continued)

Contract costs

Costs to fulfil a contract

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

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

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

(c) the costs are expected to be recovered.

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

Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

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

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Group as a lessee (Continued)

Short-term leases

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

Right-of-use assets

The cost of right-of-use assets includes:

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

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

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

The Group presents right-of-use assets in "property, plant and equipment", the same line item within which the corresponding underlying assets would be presented if they were owned.

Refundable rental deposits

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

Lease liabilities

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities (Continued)

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, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

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

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

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

Lease modifications

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Group as a lessee (Continued)

Lease modifications (Continued)

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

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

Foreign currencies

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

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

Borrowing costs

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

Government grants

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits

Retirement benefit costs

Payments to state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

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

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

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

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

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). In cases where the grant date occurs after the employees to whom the equity instruments were granted have begun rendering services, the Group estimates the grant date fair value of the equity instruments for the purposes of recognising the services received during the period between service commencement date and grant date. Once the grant date has been established, the Group revises the earlier estimation so that the amounts recognised for services are ultimately based on grant date fair value. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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

Current and deferred tax are recognised in profit or loss.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Property, plant and equipment

Property, plant and equipment (other than construction in progress), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management, including costs of testing whether the related assets is functioning properly. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets

Intangible assets acquired separately

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

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

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment on property, plant and equipment (including right-of-use assets), contract costs and intangible assets

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Materials for research and development project

Materials for research and development project are mainly reagent and consumable materials for research and development purposes. Materials for research and development project are stated at the lower of cost and recoverable amount, and expensed as they are consumed.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

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

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

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

All other financial assets of the Group are subsequently measured at fair value.

(i) Amortised cost and interest income

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or at fair value through other comprehensive income or designated as at fair value through other comprehensive income are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest earned on the financial asset and is included in the "other gains and losses, net" line item.

Impairment of financial assets

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk

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

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

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

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

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

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

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

(iii) Credit-impaired financial assets

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 Business Combinations applies, (ii) held for trading or (iii) designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

Notes to the Consolidated Financial Statements

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities at FVTPL (Continued)

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

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

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

Financial liabilities at amortised cost

Financial liabilities including trade and other payables and bank borrowing are subsequently measured at amortised cost, using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Convertible bonds

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative.

At the date of issue, both the debt component and derivative components are recognised at fair value and the convertible bonds are designated as at FVTPL. In subsequent period, changes in fair value are recognised in profit or loss as fair value gain or loss except for changes in the fair value that is attributable to changes in the credit risk (excluding changes in fair value of the derivatives component) is recognised in other comprehensive income, unless the recognition of the effects of changes in the credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to the credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss, they are transferred to accumulated losses upon derecognition.

Transaction costs relating to the issue of the convertible bonds are charged to profit or loss immediately.

Derecognition of financial liabilities

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

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

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

Contractual Arrangements

The Group conducts a substantial portion of the business through the Contractual Arrangements due to the relevant laws and regulatory regime restrictions on foreign ownership of companies engaged in the gene therapy business. The Group does not have any equity interest in Yongtai Ruike. The Directors assessed whether or not the Group has control over Yongtai Ruike based on whether the Group has power over Yongtai Ruike, has rights to variable returns from its involvement with Yongtai Ruike and has the ability to affect those returns through its power over Yongtai Ruike. After assessment, the Directors concluded that the Group has control over Yongtai Ruike as a result of the Contractual Arrangements and other measures and accordingly, the Group consolidated Yongtai Ruike during the years ended 31 December 2022 and 2021.

Nevertheless, the Contractual Arrangements and other measures may not be as effective as direct legal ownership in providing the Group with direct control over Yongtai Ruike and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of Yongtai Ruike. The Directors, based on the advice of its legal counsel, consider that the Contractual Arrangements among Beijing Yongtai, Yongtai Ruike and its equity holders are in compliance with the relevant PRC laws and are legally enforceable.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Critical judgements in applying accounting policies (Continued)

Research and development expenditures

Development costs incurred on the Group's immune cell product pipelines are 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, the Group's intention to complete and use or sell the asset, how the asset will generate probable future economic benefits, the availability of adequate technical, financial and other resources to complete the pipeline, the Group's ability to use or sell the asset and the ability to measure reliably the expenditure during its development. Development costs which do not meet these criteria are expensed when incurred.

The Directors assess the progress of each of the research and development projects and determine whether the criteria are met for capitalisation. During the years ended 31 December 2022 and 2021, all development costs were expensed when incurred.

Key sources of estimation uncertainty

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

Estimated impairment of property, plant and equipment

Property, plant and equipment, are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates, estimated revenue or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

As at 31 December 2022, the carrying amount of property, plant and equipment is RMB527,251,000 (31 December 2021: RMB426,588,000). The management of the Group conducted impairment assessment for those property, plant and equipment with impairment indication and no impairment has been recognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

Estimated impairment of intangible asset not yet available for use

Intangible asset not yet available for use is stated at cost less impairment, if any. For intangible asset not yet available for use, the Group assesses the asset individually for impairment at least annually. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amount including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Changing the assumptions and estimates, including the discount rates, estimated revenue or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

As at 31 December 2022, the carrying amount of the license-in right that was not yet available for use is RMB19,316,000 (31 December 2021: nil) and no impairment has been recognised. Details of the impairment assessment of the Group's license-in right is disclosed in Note 17.

6. SEGMENT INFORMATION

For the purposes of resources allocation and performance assessment, the executive directors of the Company, being the chief operating decision makers, review the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole and hence, the Group has only one operating and reportable segment and no further analysis of this single segment is presented.

Geographical information

The Group did not record any revenue during the year ended 31 December 2022 (year ended 31 December 2021: nil). As at 31 December 2022, the Group's non-current assets excluding financial instruments amounted to RMB615,362,000 (31 December 2021: RMB518,161,000). Majority of the Group's non-current assets are located in the PRC, accordingly, no analysis of geographical information is presented.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

7. OTHER INCOME/OTHER EXPENSES

Other income

	For the year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Income received from provision of cell cryopreservation services (Note a)	**710**	710
Income received from technical service	**75**	132
Interest income on bank deposits	**3,011**	7,425
Interest income on rental deposits	**190**	131
Government grants (Note b)	**5,101**	9,274
Others	**–**	83
Total	**9,087**	17,755

Other expenses

	For the year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Costs for provision of cell cryopreservation services	**288**	288
Issue costs for convertible bonds designated at FVTPL	**13,493**	–
Total	**13,781**	288

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

7. OTHER INCOME/OTHER EXPENSES (CONTINUED)

Notes:

a. An analysis of the Group's income from cell cryopreservation services is as follows:

	For the year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Types of goods or service Cell cryopreservation services	**710**	710
Timing of revenue recognition Over time	**710**	710

The Group generated income from cell cryopreservation services in the PRC for both years. Cell cryopreservation is the process whereby cells are preserved by cooling to very low temperatures. The Group entered into ten-year agreements with individuals to help them preserve immunocytes extracted from their bodies. The provision of cell cryopreservation services is not considered as the principal business of the Group. The Group ceased to enter into new contracts with new customers since November 2017.

Income relating to cell cryopreservation services is recognised over time since customers simultaneously receive and consume the benefits as the Group provides the cell cryopreservation services. The Group required 100% upfront payments from its customers which gives rise to a contract liability recognised at the commencement of a contract and contract liability is released on a straight-line basis over the period of services, i.e. 10 years.

b. An analysis of the Group's government grants is as follows:

	For the year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Government grants related to		
– Research and development activities	**3,902**	2,760
– Machinery	**134**	134
– Listing reward	**–**	6,000
– Others	**1,065**	380
	5,101	9,274

Government grants include subsidies from local governments which are specifically for (i) the subsidies for the Group's research and development activities, which are recognised upon compliance with the attached conditions; (ii) compensations of the capital expenditure incurred for purchase of machinery in relation to research and development of immune cell products, which are recognised over the useful lives of the related assets; (iii) the subsidies for the successful IPO of the Company by local government; and (iv) subsidies to provide immediate financial support to the Group with no conditions attached which are recognised in profit or loss when the subsidies are received.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

8. OTHER GAINS AND LOSSES, NET

	For the year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Exchange gain (loss), net	**86**	(6,271)
Impairment loss reversed on an intangible asset (Note)	**–**	1,304
Fair value loss on financial assets at FVTPL, net	**(24,020)**	(18,793)
Fair value loss on other financial liability (Note 28)	**(10,069)**	–
Loss on disposal of property, plant and equipment	**(636)**	(94)
Loss on early termination of leases	**(255)**	–
Others	**(1,441)**	314
Total	**(36,335)**	(23,540)

Note: During the year ended 31 December 2021, the Group resumed the clinical trial for 6B11-OCIK, a product for treatment of ovarian cancer, by updating the clinical trial plan. Therefore, the impairment loss for the intangible asset related to 6B11-OCIK previously recognised was reversed in the prior year.

9. FINANCE COSTS

	For the year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Interest expenses on:		
Lease liabilities	**6,114**	3,678
Bank borrowings	**21**	–
Total	**6,135**	3,678

10. INCOME TAX EXPENSE

	For the year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Current PRC enterprise income tax ("EIT")	**–**	–

Under the law of the PRC on Enterprise Income Tax (the "EIT Law") and implementation regulations of the EIT Law, the statutory tax rate of the Company's PRC subsidiaries is 25% for both years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

10. INCOME TAX EXPENSE (CONTINUED)

Beijing Yongtai has been accredited as a "High and New Technology Enterprise" by the Science and Technology Bureau of Beijing and relevant authorities on 31 October 2018 for a term of three years, and has been registered with the local tax authorities for enjoying the reduced EIT rate of 15% and the unused tax losses could be utilised for 10 years since 2013. During the year ended 31 December 2021, the accreditation of "High and New Technology Enterprise" of Beijing Yongtai has been extended to December 2024. Accordingly, the profits derived by Beijing Yongtai is subject to EIT rate of 15% (year ended 31 December 2021: 15%) for the year ended 31 December 2022.

No provision for PRC enterprise income tax was made as the Group's PRC subsidiaries incurred tax losses for both years.

No Hong Kong Profits Tax was provided for as there was no estimated assessable profit of the Group's Hong Kong subsidiary that was subject to Hong Kong Profits Tax.

The income tax expense for the year is reconciled to loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	For the year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Loss before tax	**(321,095)**	(354,615)
Tax at the applicable tax rate of 25% (2021: 25%)	**(80,274)**	(88,654)
Tax effect of non-taxable income	**(626)**	(1,751)
Tax effect of expenses not deductible for tax purpose	**23,217**	26,947
Tax effect of accelerated deduction for research and development expenses (Note)	**(32,292)**	(31,227)
Tax effect of unrecognised tax losses	**89,975**	94,685
	–	–

Note: Pursuant to Caishui 2018 circular No. 99 and Caishui 2021 circular No. 6, Beijing Yongtai, Yongtai Ruike and Beijing Weixiao Biotechnology Development Limited* (北京緯曉生物技術開發有限責任公司) ("Beijing Weixiao") enjoy accelerated deduction of 175% on qualifying research and development expenses from 1 January 2018 to 31 December 2023. Pursuant to Caishui 2021 circular No. 13, Beijing Yongtai enjoys accelerated deduction of 200% on qualifying research and development expenses from 4 January 2022.

* English name is for identification purpose only

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

10. INCOME TAX EXPENSE (CONTINUED)

As at 31 December 2022, the Group had unused tax losses of RMB1,272,704,000 (31 December 2021: RMB912,803,000) which are available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses as at 31 December 2022 and 2021 due to the unpredictability of future profit streams.

The unused tax losses will be expired as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
2023	**2,532**	2,532
2024	**5,221**	5,221
2025	**19,118**	19,118
2026	**48,243**	48,243
2027	**58,515**	19,958
2028	**51,405**	51,405
2029	**122,953**	122,953
2030	**261,958**	261,958
2031	**381,415**	381,415
2032	**321,344**	–
Total	**1,272,704**	912,803

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

11. LOSS AND TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR

	For the year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Loss for the year has been arrived at after charging:		
Staff costs, including directors' remuneration		
– salaries and other allowances	**100,994**	124,388
– retirement benefits	**8,883**	9,787
– equity-settled share-based payment included in administrative expenses	**1,160**	8,147
– equity-settled share-based payment included in research and development expenses	**3,125**	40,799
Total staff costs	**114,162**	183,121
Depreciation of property, plant and equipment	**44,561**	21,736
Less: capitalised in construction in process	**(2,507)**	(1,880)
	42,054	19,856
Amortisation of intangible assets	**2,017**	1,149
Auditor's remuneration	**2,810**	2,810
Short-term lease expense	**352**	781
Cost of materials included in research and development expenses	**17,347**	27,918
Outsourcing service fees included in research and development expenses	**31,317**	47,897

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to the Directors and chief executive of the Company are as follows:

Year ended 31 December 2022

	Fees RMB'000	Salaries and other allowances RMB'000	Equity-settled share-based payment RMB'000	Retirement benefits RMB'000	Total RMB'000
EXECUTIVE DIRECTORS:					
Mr. Tan Zheng	–	4,608	–	60	4,668
Mr. Jung Hyun Chul	–	1,811	–	23	1,834
Dr. Wang Yu (chief executive officer)	–	4,468	–	28	4,496
Sub-total	–	10,887	–	111	10,998
NON-EXECUTIVE DIRECTORS:					
Mr. Si Xiaobing (Note a)	–	166	–	23	189
Mr. Lu Yuan	–	–	–	–	–
Mr. Tao Ran	–	–	–	–	–
Sub-total	–	166	–	23	189
INDEPENDENT NON-EXECUTIVE DIRECTORS:					
Mr. Wang Yingdian	258	–	–	–	258
Mr. Ng Chi Kit	268	–	–	–	268
Ms. Peng Sujiu	258	–	–	–	258
Sub-total	784	–	–	–	784
Total	784	11,053	–	134	11,971

Notes to the Consolidated Financial Statements

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12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

Year ended 31 December 2021

	Fees RMB'000	Salaries and other allowances RMB'000	Equity-settled share-based payment RMB'000	Retirement benefits RMB'000	Total RMB'000
EXECUTIVE DIRECTORS:					
Mr. Tan Zheng	–	3,295	7,281	55	10,631
Mr. Jung Hyun Chul	–	1,828	–	55	1,883
Dr. Wang Yu (chief executive officer)	–	3,387	34,147	55	37,589
Sub-total	–	8,510	41,428	165	50,103
NON-EXECUTIVE DIRECTORS:					
Mr. Si Xiaobing	–	180	–	19	199
Mr. Lu Yuan	–	–	–	–	–
Mr. Li Yuezhong (Note b)	–	–	–	–	–
Mr. Tao Ran (Note b)	–	–	–	–	–
Sub-total	–	180	–	19	199
INDEPENDENT NON-EXECUTIVE DIRECTORS:					
Mr. Wang Yingdian	252	–	–	–	252
Mr. Ng Chi Kit	249	–	–	–	249
Ms. Peng Sujiu	252	–	–	–	252
Sub-total	753	–	–	–	753
Total	753	8,690	41,428	184	51,055

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' and independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Notes to the Consolidated Financial Statements

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12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

Notes:

a. Mr. Si Xiaobing, has tendered his resignation from the Group with effect from 30 November 2022 but continues to serve as a non-executive director of the Company.

b. Mr. Li Yuezhong, has tendered his resignation as a non-executive director of the Company with effect from 23 August 2021, while Mr. Tao Ran was appointed as a non-executive director on the same day.

There were no arrangement under which a director of the Company or the chief executive waived or agreed to waive any remuneration during the year ended 31 December 2022 (year ended 31 December 2021: nil).

Certain directors were granted share options, in respect of their services to the Group under the share option scheme of the Company, details are set out in Note 32.

13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included three directors (year ended 31 December 2021: three directors), details of whose remuneration are set out in Note 12. Details of the remuneration for the year of the remaining two (year ended 31 December 2021: two) highest paid employees who are neither a director nor the chief executive are as follows:

	For the year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Salaries and other allowances	**802**	1,489
Retirement benefits	**119**	109
Equity-settled share-based payment	**1,588**	3,335
Total	**2,509**	4,933

Notes to the Consolidated Financial Statements

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13. FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

The number of the highest paid employees who are not the directors whose remuneration fell within the following bands is as follows:

	For the year ended 31 December	
	2022	2021
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,500,001 to HK$3,000,000	**–**	1
HK$3,000,001 to HK$3,500,000	**–**	1
Total	**2**	2

No remuneration was paid by the Group to any of the directors or the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office for the year ended 31 December 2022 (year ended 31 December 2021: nil).

14. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during 2022, nor has any dividend been proposed since the end of the reporting period (year ended 31 December 2021: nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

15. LOSS PER SHARE

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

	For the year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Loss		
Loss for the year attributable to owners of the Company	**(318,109)**	(354,224)

	For the year ended 31 December	
	2022	2021
	Shares	Shares
	('000)	('000)
Number of shares		
Number of ordinary shares for the purpose of basic and diluted loss per share	**514,584**	514,584

For the purpose of calculation of diluted loss per share for the year ended 31 December 2022 and 2021, the share options granted under the pre-IPO share option scheme were not included as their inclusion would result in a decrease in loss per share.

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16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold lands RMB'000	Leased properties RMB'000	Leasehold improvements RMB'000	Machinery RMB'000	Vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST								
At 1 January 2021	50,146	59,940	28,991	36,170	3,017	2,149	2,499	182,912
Additions	12,906	67,153	–	10,117	–	2,918	200,406	293,500
Extension of lease term (Note i)	–	639	–	–	–	–	–	639
Disposals	–	–	(781)	(889)	–	–	–	(1,670)
Transfer	–	–	28,040	23,013	–	–	(51,053)	–
At 31 December 2021	63,052	127,732	56,250	68,411	3,017	5,067	151,852	475,381
Additions	20,870	–	–	883	–	3,647	67,611	93,011
Lease modified (Note ii)	–	58,169	–	–	–	–	–	58,169
Elimination at end of a lease	–	(1,949)	–	–	–	–	–	(1,949)
Early termination of leases (Note iii)	–	(4,364)	–	–	–	–	–	(4,364)
Disposals	–	–	(208)	(4,500)	–	(712)	–	(5,420)
Transfer	–	–	646	10,283	–	–	(10,929)	–
At 31 December 2022	**83,922**	**179,588**	**56,688**	**75,077**	**3,017**	**8,002**	**208,534**	**614,828**
ACCUMULATED DEPRECIATION								
At 1 January 2021	(1,672)	(11,101)	(4,899)	(9,691)	(373)	(684)	–	(28,420)
Provided for the year	(2,701)	(11,679)	(2,226)	(3,626)	(684)	(820)	–	(21,736)
Disposals	–	–	559	804	–	–	–	1,363
At 31 December 2021	(4,373)	(22,780)	(6,566)	(12,513)	(1,057)	(1,504)	–	(48,793)
Provided for the year	(3,287)	(21,685)	(11,877)	(5,434)	(677)	(1,601)	–	(44,561)
Elimination at end of a lease	–	1,949	–	–	–	–	–	1,949
Early termination of leases (Note iii)	–	1,270	–	–	–	–	–	1,270
Elimination on disposals	–	–	114	1,981	–	463	–	2,558
At 31 December 2022	**(7,660)**	**(41,246)**	**(18,329)**	**(15,966)**	**(1,734)**	**(2,642)**	**–**	**(87,577)**
CARRYING VALUES								
At 31 December 2022	**76,262**	**138,342**	**38,359**	**59,111**	**1,283**	**5,360**	**208,534**	**527,251**
At 31 December 2021	58,679	104,952	49,684	55,898	1,960	3,563	151,852	426,588

Notes to the Consolidated Financial Statements

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16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes:

i. In March 2021, the Group signed a supplementary contract with the lessor to extend the lease upon expiry from 6 August 2023 to 31 March 2026 and corresponding adjustment is made to the right-of-use assets for the remeasurement of lease liabilities.

ii. In December 2022, the Group re-negotiated with a lessor who agreed to grant the Group an extension option in relation to a leased property (with an original maturity date in October 2026) for another 5 years until October 2031. Considering the significant leasehold improvements undertaken and the importance of the leased property to the Group's operations, the Group assessed that it is reasonably certain to exercise the extension option and corresponding adjustment is made to the right-of-use assets for the remeasurement of lease liabilities, resulted in an addition of right-of-use assets and lease liabilities of RMB58,169,000.

iii. In March and April 2022, the Group early terminated two leases with the lessors. The Group derecognised the right-of-use assets of RMB319,000 and RMB2,775,000, and lease liabilities of RMB256,000 and RMB2,729,000, respectively, resulting in a loss of RMB255,000 in profit or loss after consideration of refund of rental deposits.

Property, plant and equipment other than construction in progress are depreciated using the straight-line method after taking into account of their estimated residual values with the following useful lives:

Leasehold lands	Over lease terms
Leased properties	Shorter of lease terms and its useful life
Leasehold improvements	Shorter of lease terms and its useful life
Machinery	3 to 10 years
Vehicles	5 years
Office equipment	5 years

The Group leases properties to operate its business. These leases are typically made for fixed terms of 3 to 10 years. Lease terms are negotiated on an individual basis and contain different payment terms and conditions.

The Group's lease agreements did not contain any contingent rent nor any early termination option or purchase option for lessee.

The total cash outflow for leases amounted to RMB44,768,000 for the year ended 31 December 2022 (year ended 31 December 2021: RMB24,686,000).

The Group regularly entered into short-term leases for properties. As at 31 December 2022 and 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in Note 11.

Notes to the Consolidated Financial Statements

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17. INTANGIBLE ASSETS

	License-in right RMB'000 (Note)	Acquired clinical trial permission RMB'000	Patent rights RMB'000	Software RMB'000	Software under development RMB'000	Total RMB'000
COST						
At 1 January 2021	–	2,143	8,387	687	–	11,217
Additions	–	–	–	6,724	–	6,724
At 31 December 2021	–	2,143	8,387	7,411	–	17,941
Additions	19,316	–	–	2,957	7,980	30,253
At 31 December 2022	**19,316**	**2,143**	**8,387**	**10,368**	**7,980**	**48,194**
AMORTISATION AND IMPAIRMENT						
At 1 January 2021	–	(2,143)	(1,586)	(117)	–	(3,846)
Charge for the year	–	(125)	(839)	(185)	–	(1,149)
Impairment loss reversed in the year (Note 8)	–	1,304	–	–	–	1,304
At 31 December 2021	–	(964)	(2,425)	(302)	–	(3,691)
Charge for the year	–	(213)	(839)	(965)	–	(2,017)
At 31 December 2022	**–**	**(1,177)**	**(3,264)**	**(1,267)**	**–**	**(5,708)**
CARRYING VALUES						
At 31 December 2022	**19,316**	**966**	**5,123**	**9,101**	**7,980**	**42,486**
At 31 December 2021	–	1,179	5,962	7,109	–	14,250

Note: On 11 January 2021, the Company entered into a license agreement with T-Cure Bioscience, Inc. ("T-Cure"), pursuant to which T-Cure agreed to grant an exclusive license to the Company to use the patent rights and technology of T-Cure for the development, manufacturing and commercialisation of licensed products in Korea, the PRC, including Hong Kong and Macau, but excluding Taiwan in the field of immunotherapy for renal cell carcinoma. As the transfer of the relevant technologies agreed upon in the agreement was completed in March 2022, the Company recorded an intangible assets in relation to the upfront payment and the first milestone payment with total amount of US$3,000,000 (equivalent to RMB19,316,000).

17. INTANGIBLE ASSETS (CONTINUED)

Except for the license-in right and software under development not yet available for use, intangible assets have finite lives and are amortised on a straight-line basis. The useful lives of acquired clinical trail permission, patent rights and software are 10 years, 10 years and 5 to 10 years, respectively. The useful lives of patent rights were determined by the management taking into account of the period over which the assets are expected to be available for use by the Group and the stability of the industry in which the assets operate.

Impairment assessment of license-in right

As at 31 December 2022, the carrying amount of intangible asset associated with license-in right that was not ready for use was RMB19,316,000 (31 December 2021: nil). Annual impairment test is performed in respect of the intangible asset based on the recoverable amount of the cash-generating unit ("CGU") to which the intangible asset belongs. The annual impairment test is performed by engaging an independent appraiser to estimate fair value less costs of disposal as the recoverable amount of the CGU. The fair value is based on the multi-period excess earnings method and the Group estimated the forecast period till the year 2037 based on the timing of clinical development and regulatory approval, commercial ramp up to reach expected peak revenue potential, and the length of exclusivity for the pipeline product.

The estimated revenue is based on management's expectations of timing of commercialisation. Revenue growth rate is based on estimated market penetration rate and market sizes etc..

The costs and operating expenses are estimated as a percentage over the revenue forecast period based on the current margin levels of comparable companies with adjustments made to reflect the expected future price changes.

The discount rate used is post-tax and represents the CGU's general business and market risk and was derived from capital asset pricing model by taking applicable market data into account, such as risk free rate, market premium, beta, company specific risk and size premium.

The Group performed sensitivity test by increasing the discount rate by 1% or decreasing the revenue growth rate by 1% which are the key assumptions determining the recoverable amount of the CGU, with all other variables held constant and it would not cause its carrying amount to exceed its recoverable amount.

The key assumptions used for fair value calculation as at 31 December 2022 are as follows:

Post-tax discount rate	16.2%
Expected average annual revenue growth rate	22%
Expected success rate of commercialisation	15.3%

Based on the result of impairment assessment, there was no impairment as at 31 December 2022.

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18. CONTRACT COSTS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Costs to fulfill contracts	**976**	1,232
Analysed as:		
Non-current	**720**	976
Current	**256**	256
	976	1,232

Movements in contract costs

	RMB'000
At 1 January 2021	1,488
Release to other expenses	(256)
At 31 December 2021	1,232
Release to other expenses	(256)
At 31 December 2022	**976**

Contract costs capitalised relate to initial costs for cell extraction from human bodies and preparation for cryopreservation at the beginning of cell cryopreservation services as described in Note 7. These costs are amortised over the service periods. There was no impairment recognised in relation to the capitalised costs during the year ended 31 December 2022 (year ended 31 December 2021: nil).

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19. FINANCIAL ASSETS AT FVTPL

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Investment in the Tasly Fund (Note i)	**88,913**	111,652
Investment in the Shaoxing Fund (Note ii)	**51,262**	51,524
Investment in a financial product (Note iii)	**21,010**	–
Total	**161,185**	163,176
Analysed as:		
Non-current	**140,175**	163,176
Current	**21,010**	–
	161,185	163,176

Notes:

i. In December 2020, the Company entered into a subscription agreement with Tasly Bioscience Fund Limited, in relation to the subscription of limited partner interests in Tasly Bioscience Fund, L.P. (the "Tasly Fund"). The aggregate subscription amount was HK$156.8 million. Subject to the terms of the limited partnership agreement, the initial term of the Tasly Fund shall be five years and each of the partners will be entitled to share the profit or loss attributable to a project investment in proportion to their respective paid capital commitment to fund the acquisition cost of such project investment. The general partner, Tasly Bioscience Fund Limited, has exclusive power over the management and control of the operation, investment affairs and other matters relating to the Tasly Fund.

The investment was accounted for as financial assets at FVTPL under IFRS 9. The total subscription amount of HK$156,800,000 (equivalent to RMB131,969,000) had been paid as at 31 December 2020. In June 2021, the Tasly Fund has made the investment of HK$146,220,000 (equivalent to RMB119,769,000) to acquire the 100% ordinary shares of Paul International Investment Limited ("Paul International") which held 12.3% ordinary shares of a bio-science company based in the Republic of Korea ("Korea") ("Target A").

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19. FINANCIAL ASSETS AT FVTPL (CONTINUED)

Notes: (Continued)

i: (Continued)

The fair value of investment in the Tasly Fund is as follows:

	Investment in the Tasly Fund HK$'000	**Shown in the consolidated financial statements as** RMB'000
As 1 January 2021	156,800	131,969
Change in fair value (Note)	(20,239)	(20,317)
At 31 December 2021	136,561	111,652
Change in fair value (Note)	(37,025)	(22,739)
At 31 December 2022	**99,536**	**88,913**

Note: Change in fair value presented in RMB also includes the exchange effect on translation from HK$ balances into RMB.

As at 31 December 2022 and 2021, the fair value of investment in the Tasly Fund was determined by the Directors with assistance from an independent qualified professional valuer not connected to the Group, which has appropriate qualifications and experiences in valuation of similar instruments.

The Tasly Fund engages in investment management, its operation purely depends on the investment it holds. Its long-term investment was equity holding in Paul International, and the valuation method was described as below. The valuations of the remaining assets and liabilities of the Tasly Fund, other than long term investment, are carried out by reference to their book values.

Discounted cash flow method was used to determine the underlying equity value of Target A as at 31 December 2022 (31 December 2021: back-solve method). In estimating the fair value, the Directors adopted the valuation technique which maximises the use of observable data to the extent it is available and minimises the use of unobservable inputs. Where there was financing from third parties of Target A incurred nearly to the the valuation date, back-solve method was adopted, otherwise, discounted cash flow method was used in determining the fair value of Target A. In arriving at assessed value of the preferred shares and ordinary shares of Target A as at the valuation date, hybrid method was adopted to allocate the equity value among the preferred shares and ordinary shares.

19. FINANCIAL ASSETS AT FVTPL (CONTINUED)

Notes: (Continued)

i: (Continued)

Key valuation assumptions and inputs used to determine the fair value of the equity holding in Target A as at 31 December 2022 and 2021 are as follows:

	As at 31 December	
	2022	2021
Time to initial public offering ("IPO")	**3.0 year**	3.0 year
Time to the redemption event	**2.0 year**	3.0 year
Risk-free interest rate	**4.22%, 4.41%**	0.97%
Volatility	**61.57%, 69.29%**	51%
Discount rate (per annum)	**15.3%**	N/A
Discount for lack of marketability	**23.90%**	N/A

The discount for lack of marketability was estimated based on the finnerty model with reference to the comparable companies in the same industry.

Discount rate was estimated by weighted average cost of capital with reference to the comparable companies in the same industry.

ii. In February 2021, the Company's subsidiary, Beijing Yongtai, entered into a subscription agreement in relation to the subscription of limited partner interests in Shaoxing Yongsheng Equity Investment Partnership (LP)* (紹興永晟股權投資合夥企業(有限合夥)) (the "Shaoxing Fund"). Subject to the terms of the limited partnership agreement, the initial term of the Shaoxing Fund shall be seven years and each of the partners will be entitled to share the profit or loss attributable to a project investment in proportion to their respective paid capital commitment to fund the acquisition cost of such project investment. The general partner, Tianjin Jinxin Health Technology Co., Ltd.* (天津金新健康科技有限公司), has exclusive power over the management and control of the operation, investment affairs and other matters relating to the Shaoxing Fund.

The subscription amount of RMB50,000,000 had been paid in April 2021. The investment was accounted for as financial assets at FVTPL under IFRS 9. The Shaoxing Fund made the investment of RMB500,000,000 to subscribe convertible bonds of a company principally engaged in gene testing services in Mainland China ("Target B"). The convertible bonds carry interests of 6% per annum and will mature in May 2024. The Shaoxing Fund may exercise its conversion option during the term of the investment and the conversion price is subject to negotiation between the Shaoxing Fund and Target B with reference to the then fair value.

* English names are for identification purpose only.

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19. FINANCIAL ASSETS AT FVTPL (CONTINUED)

Notes: (Continued)

ii: (Continued)

The fair value of investment in the Shaoxing Fund is as follows:

	Investment in the Shaoxing Fund RMB'000
As 1 January 2021	–
Addition	**50,000**
Change in fair value	**1,524**
At 31 December 2021	**51,524**
Change in fair value	**(262)**
At 31 December 2022	**51,262**

As at 31 December 2022 and 2021, the fair value of investment in the Shaoxing Fund was determined by the Directors with assistance from an independent qualified professional valuer not connected to the Group, which has appropriate qualifications and experiences in valuation of similar instruments.

The Shaoxing Fund engages in investment management, its operation purely depends on the investment it holds. Its long-term investment was convertible bonds held in Target B, the fair value of the convertible bonds was determined using discounted cash flow method based on a discount rate of 8.05% per annum (31 December 2021: 5.20% per annum). The valuations of the remaining assets and liabilities of the Shaoxing Fund, other than long term investment, are carried out by reference to their book values.

iii: In November 2022, the Group invested in a financial product of US$3,000,000 (equivalent to RMB22,029,000) managed by a financial institution in Hong Kong which can be redeemed at maturity in February 2023. There is no predetermined or guaranteed return for the product. Such financial products are accounted for as financial assets at FVTPL under IFRS 9. As at 31 December 2022, the fair value of the investment is US$3,017,000 (equivalent to RMB21,010,000).

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For the year ended 31 December 2022

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Prepayments to suppliers and service providers	**29,113**	31,779
Value added tax recoverable	**7,852**	33,663
Prepayments for purchase of property, plant and equipment	**37,553**	38,642
Rental deposits	**3,105**	3,195
Other deposits	**1,349**	1,132
Advances to employees	**206**	600
Prepayment for license-in technology	**–**	18,232
Receivables from disposal of property, plant and equipment	**724**	–
Others	**166**	993
	80,068	128,236
Analysed as:		
Non-current	**48,881**	80,499
Current	**31,187**	47,737
	80,068	128,236

21. MATERIALS FOR RESEARCH AND DEVELOPMENT PROJECT

Materials for research and development project mainly include reagent and consumable materials for research and development purposes. No impairment was recognised during the year ended 31 December 2022 (year ended 31 December 2021: nil).

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22. PLEDGED BANK DEPOSITS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Pledged bank deposits for bank borrowing (Note 29)	**1,000**	–
Pledged bank deposits for construction in Shanghai (Note)	**810**	–
	1,810	–

Note: The pledged bank deposits are required to be maintained as warranty and can be used only to settle future claims, if any, of the construction in Shanghai.

Pledged bank deposits carry fixed interest rate of 0.25% and 1.50% per annum (31 December 2021: nil) as at 31 December 2022.

23. BANK BALANCES AND CASH

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Cash on hand	**1**	1
Bank balances	**58,447**	353,340
	58,448	353,341
Term deposits with original maturity over three months	**–**	101,940
Cash and cash equivalents as stated in the consolidated statement of cash flows	**58,448**	251,401
Bank balances and cash	**58,448**	353,341
Bank balances and cash denominated in:		
RMB	**48,336**	346,992
HK$	**6,730**	2,918
South-Korean Won ("KRW")	**1,635**	169
US$	**1,747**	3,262
	58,448	353,341

Bank balances carry interest at market rates which range from 0.01% to 0.63% (31 December 2021: 0.001% to 0.38%) per annum as at 31 December 2022. Term deposits with original maturity over three months earn interest ranging from 2.58% to 2.76% per annum (31 December 2022: nil) as at 31 December 2021.

Notes to the Consolidated Financial Statements

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24. CONTRACT LIABILITIES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Provision of cell cryopreservation services	**2,694**	3,404
Current	**710**	710
Non-current	**1,984**	2,694
	2,694	3,404

As at 1 January 2021, contract liabilities amounted to RMB4,114,000.

Income relating to cell cryopreservation services is recognised over time although the customer pays up-front in full for these services. A contract liability is recognised for consideration relating to the cell cryopreservation services at the time of the initial sales transaction and is released over the service period.

Income from cell cryopreservation services that was included in the contract liabilities balance at the beginning of the year was RMB710,000 (year ended 31 December 2021: RMB710,000) for the year ended 31 December 2022.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) at year end and the expected timing of recognising income are as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Within one year	**710**	710
Within a period of more than one year but not exceeding two years	**710**	710
Within a period of more than two years but not exceeding five years	**1,274**	1,868
Within a period of more than five years	**–**	116
	2,694	3,404

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

25. TRADE AND OTHER PAYABLES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade payables	**37,394**	32,152
Payables for acquisition of property, plant and equipment	**95,343**	94,950
Accrued salaries and other allowances	**16,287**	17,537
Payables for acquisition of intangible assets	**7,113**	2,637
Payables for service expense	**10,887**	4,704
Others	**965**	2,726
	167,989	154,706

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Within 1 year	**24,140**	32,152
1 year to 2 years	**13,254**	–
	37,394	32,152

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26. LEASE LIABILITIES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Lease liabilities payable:		
Within one year	**26,056**	20,209
Within a period of more than one year but not exceeding two years	**22,860**	20,717
Within a period of more than two years but not exceeding five years	**56,060**	62,641
Within a period of more than five years	**43,830**	7,487
	148,806	111,054
Less: Amounts due for settlement within one year shown under current liabilities	**(26,056)**	(20,209)
Amounts due for settlement after one year shown under non-current liabilities	**122,750**	90,845

The incremental borrowing rates applied by the relevant group entities range from 4.91% to 6.48% (31 December 2021: 4.91% to 6.37%) per annum for lease liabilities as at 31 December 2022.

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

27. DEFERRED GOVERNMENT GRANTS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Current	**3,650**	4,476
Non-current	**38,860**	870
	42,510	5,346

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27. DEFERRED GOVERNMENT GRANTS (CONTINUED)

Movements in deferred government grants

	Government grants related to		
	Machinery	Research and development activities	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2021	1,004	5,039	6,043
Government grants received	–	360	360
Transfer from other payables (Note)	–	1,837	1,837
Release of deferred government grants to profit or loss	(134)	(2,760)	(2,894)
At 31 December 2021	870	4,476	5,346
Government grants received	37,200	4,000	41,200
Release of deferred government grants to profit or loss	(134)	(3,902)	(4,036)
At 31 December 2022	**37,936**	**4,574**	**42,510**

Note: In 2018, the Group received a government subsidy of RMB3,600,000 in relation to research and development of 6B11-OCIK product. The subsidy can be used for the first phase of clinical research on 6B11-OCIK product. In June 2019, the Group determined to put on hold the research and development of 6B11-OCIK product and the remaining unused subsidy of RMB1,837,000 is repayable to local government and was transferred to other payables. In September 2021, the Group received a confirmation from local government which waived all the conditions attaching to the subsidy. The subsidy was then recognised in profit or loss immediately.

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28. OTHER FINANCIAL LIABILITY

	31 December 2022 RMB'000	2021 RMB'000
Forward contract to issue convertible bonds	**10,069**	–

On 28 October 2022, the Company and Tasly (Hong Kong) Pharmaceutical Investment Limited (the "Investor") entered into a convertible bonds subscription agreement (the "Subscription Agreement"), pursuant to which the Company has conditionally agreed to issue and the Investor has conditionally agreed to subscribe for the convertible bonds in the principal amount of RMB300 million at the initial conversion price of RMB4.38 per conversion share. The Investor is controlled by Tasly Pharmaceutical Group Co., Ltd. ("Tasly Pharmaceutical"), a listed company on Shanghai Stock Exchange, both Tasly Pharmaceutical and Tasly Fund are controlled by Tasly Holding Group Co., LTD.

As at 31 December 2022, the conditions precedent under the Subscription Agreement have not been fulfilled. The Subscription Agreement represented a forward contract to issue convertible bonds which met the definition of a derivative. Accordingly the Company recorded a fair value loss of RMB10,069,000 in profit or loss in relation to the change in fair value of the Subscription Agreement. The issuance of the convertible bonds were subsequently completed in February 2023 as detailed in Note 42.

Key assumption and input used to determine the fair value of the forward contract as at 31 December 2022 are as follows:

	RMB'000
Fair value of convertible bonds (Note)	309,818

Note: The Binomial Model was used to determine the fair value of convertible bonds and the key valuation assumptions and inputs are as follows:

Bond maturity	3 years
Volatility	48.67%
Risk-free interest rate	2.40%
Discount rate for the Company	26.78%

Volatility was estimated on the valuation date based on the average of historical volatilities of the comparable companies in the same industry for a period of three years.

Risk-free interest rate was estimated based on the China government bond yield curve with similar time to maturity as at the valuation date.

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29. BANK BORROWING

In June 2022, the Group obtained a new bank borrowing of RMB1,000,000, which will mature in December 2024. The borrowing carries interest at a floating interest rate determined as loan prime rate minus 0.6% per annum. The borrowing was secured by bank deposits of the Group amounting to RMB1,000,000 as at 31 December 2022. The drawdown of this bank borrowing is to activate the credit facility of RMB885 million for investment in property, plant and equipment from a licensed bank. The remaining of the credit facility will be available when certain conditions are met.

30. SHARE CAPITAL

	Number of Shares	Share capital US$
Ordinary shares		
Ordinary shares of US$0.001 each		
Authorised		
At 1 January 2021 and at 31 December 2021 and 2022	5,000,000,000	5,000,000
Issued and fully paid		
At 1 January 2021 and at 31 December 2021 and 2022	514,584,000	514,584

	31 December 2022 RMB'000	2021 RMB'000
Presented as	**3,576**	3,576

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31. RETIREMENT BENEFITS PLANS

The PRC employees of the Group are members of a state-managed retirement benefits plan operated by the government of the PRC. The PRC subsidiaries of the Company are required to contribute a specified percentage of payroll costs to the retirement benefits plan to fund the employee benefits. The only obligation of the Group with respect to the retirement benefits plan is to make the specified contributions. The retirement benefits cost charged to profit or loss for the year ended 31 December 2022 amounted to RMB8,883,000 (year ended 31 December 2021: RMB9,787,000).

At 31 December 2022 and 2021, the Group had no forfeited contributions under the above retirement benefit scheme which may be used by the Group to reduce the existing level of contributions. There were also no forfeited contributions available at 31 December 2022 and 2021 under such scheme which may be used by the Group to reduce the contribution payable in future years.

32. SHARE-BASED PAYMENT TRANSACTIONS

Pursuant to a written resolution of the Directors on 31 December 2019, a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") of the Company was approved. The Pre-IPO Share Option Scheme was established to encourage the participants to contribute to the Group for the long-term benefits of the Group. The maximum number of shares that may be granted under the Pre-IPO Share Option Scheme shall not exceed 37,500,000 shares, representing approximately 7.50% of the total number of shares in issue immediately upon completion of the IPO.

On 31 December 2019, the Group offered 7 senior management and 25 eligible employees (collectively, the "Grantees") and the Grantees accepted 37,500,000 share options (the "Pre-IPO Share Options"). Options may be exercised at any time from vesting date to the seventh anniversary of the date of offer.

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32. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

The details of the Pre-IPO Share Options granted to the senior management and employees of the Group are as follows:

Type	Date of offer	Number of shares subject to the option	Vesting proportion	Vesting period	Exercise price per share
Executive director: ("Share Option A")					
Mr. Tan Zheng	31/12/2019	5,000,000	50%	2019.12.31-2020.12.31	50% of the global offering price (the "Offer Price")
			50%	2019.12.31-2021.12.31	50% of the Offer Price
Dr. Wang Yu	31/12/2019	23,450,000	50%	2019.12.31-2020.12.31	50% of the Offer Price
			50%	2019.12.31-2021.12.31	50% of the Offer Price
Senior management: ("Share Option B")	31/12/2019	3,500,000	30%	2019.12.31-2020.12.31	50% of the Offer Price
			30%	2019.12.31-2021.12.31	50% of the Offer Price
			40%	2019.12.31-2022.12.31	50% of the Offer Price
Employees: ("Share Option C")	31/12/2019	2,550,000	50%	2019.12.31-2020.12.31	50% of the Offer Price
			50%	2019.12.31-2021.12.31	50% of the Offer Price
Employees: ("Share Option D")	31/12/2019	3,000,000	30%	2019.12.31-2020.12.31	50% of the Offer Price
			30%	2019.12.31-2021.12.31	50% of the Offer Price
			40%	2019.12.31-2022.12.31	50% of the Offer Price
Total		37,500,000			

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32. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

The following table discloses movements of the Pre-IPO Share Options:

Category	**Outstanding as at 1 January 2022**	**Grant during the year**	**Forfeited due to resignation during the year**	**Exercised during the year**	**Outstanding as at 31 December 2022**
Share Option A	**28,450,000**	**–**	**–**	**–**	**28,450,000**
Share Option B	**3,000,000**	**–**	**–**	**–**	**3,000,000**
Share Option C	**2,550,000**	**–**	**–**	**–**	**2,550,000**
Share Option D	**2,050,000**	**–**	**(120,000)**	**–**	**1,930,000**
	36,050,000	**–**	**(120,000)**	**–**	**35,930,000**

Category	Outstanding as at 1 January 2021	Grant during the year	Forfeited due to resignation during the year	Exercised during the year	Outstanding as at 31 December 2021
Share Option A	28,450,000	–	–	–	28,450,000
Share Option B	3,500,000	–	(500,000)	–	3,000,000
Share Option C	2,550,000	–	–	–	2,550,000
Share Option D	2,750,000	–	(700,000)	–	2,050,000
	37,250,000	–	(1,200,000)	–	36,050,000

As at 31 December 2022, 35,930,000 (31 December 2021: 34,150,000) options were exercisable.

The fair values of Share Option A, Share Option B, Share Option C and Share Option D determined at the grant date using the Binomial Option Pricing Model are HK$178,847,000 (equivalent to RMB163,763,000), HK$22,321,000 (equivalent to RMB20,438,000), HK$14,842,000 (equivalent to RMB13,590,000), and HK$17,385,000 (equivalent to RMB15,919,000), respectively.

The Group recognised an equity-settled share-based payment expense of RMB4,285,000 in respect of the Pre-IPO Share Options for the year ended 31 December 2022 (year ended 31 December 2021: RMB48,946,000).

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33. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to equity holders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes lease liabilities as disclosed in Note 26, bank borrowing as disclosed in Note 29, net of bank balances and cash, and equity attributable to owners of the Group, comprising share capital and reserves.

The Directors review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through new share issues as well as the issue of new debts.

34. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Financial assets		
Amortised cost	**65,602**	358,661
Financial assets at FVTPL	**161,185**	163,176
	226,787	521,837
Financial liabilities		
Amortised cost	**152,702**	137,169
Financial liability at FVTPL	**10,069**	–
	162,771	137,169

Financial risk management objectives and policies

The Group's major financial instruments include deposits and other receivables, pledged bank deposits, bank balances and cash, financial assets at FVTPL, trade and other payables, bank borrowing, other financial liability and lease liabilities. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk, interest risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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34. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk

(i) Currency risk

As at the end of the reporting period, the Group had the following monetary items, which are bank balances and cash, deposits and other receivables, trade and other payables denominated in currencies other than RMB.

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Assets		
HK$	**6,730**	2,918
US$	**22,757**	3,262
KRW	**1,690**	318
Liabilities		
HK$	**4,863**	–
US$	**3,469**	–
KRW	**93**	167
Krona	**518**	–

Sensitivity analysis

The Group was primarily subject to foreign currency risk from the movement of the exchange rates between RMB against HK$ and US$. At the end of the reporting period, if the exchange rate of RMB had been weaken against HK$ and US$ by 5% and all other variables were held constant, the Group's post-tax loss would decrease as follows. For a 5% strengthening of RMB against HK$ and US$, there would be an opposite impact on the post-tax loss for the year.

	For the year ended 31 December	
	2022	2021
	RMB'000	RMB'000
HK$	**93**	146
US$	**964**	163

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34. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (Continued)

(ii) Interest rate risk

The Group's fair value interest rate risk relates primarily to pledged bank deposits (Note 22), fixed-rate lease liabilities (Note 26) and term deposits (Note 23). The Group is also exposed to cash flow interest risk in relation to variable-rate bank balances (Note 23) and variable-rate bank borrowing (Note 29) which carry prevailing market interests. The Group currently does not have a specified policy to manage its interest rate risk but will closely monitor their interest rate risk exposure in the future.

No sensitivity analysis on interest rate risk is presented as the management considers the sensitivity on interest rate risk on bank balances and bank borrowing is insignificant.

(iii) Other price risk

The Group invested in certain funds for investing in investees operating in bio-science industry sector as detailed in Note 19. The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise. Sensitivity analyses for those investments with fair value measurement were disclosed in Note 35.

Credit risk and impairment assessment

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position (including bank balances, pledged bank deposits, deposits and other receivables). The Group does not hold any collaterals or other credit enhancement to cover its credit risks associated with its financial assets.

In order to minimise the credit risk, the Group monitors the exposure to credit risk on an on-going basis. The Group performed impairment assessment for each individual debt under ECL model at the end of the reporting period.

34. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk and impairment assessment (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	12m ECL
Watch list	Debtor frequently usually repays after due dates but settle the amounts in full	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

Bank balances and pledged bank deposits

The Group's bank balances and pledged bank deposits are placed with state-owned banks or commercial banks with high credit ratings in the Mainland China, Hong Kong and international banks in the Republic of Korea with aggregate gross carrying amounts RMB60,257,000 as at 31 December 2022 (31 December 2021: RMB353,340,000). Therefore, the credit risks on bank balances are limited.

The Group has concentration risk with approximately 32.54% and 37.53% of the Group's bank balances placed with bank B and bank C at 31 December 2022 (31 December 2021: 59.2%,12.7% and 11.6% of the Group's bank balances placed with bank A, bank B and bank C).

Deposits and other receivables

The Group assessed the ECL for its deposits and other receivables individually based on internal credit rating which, in the opinion of the Directors, there is no significant increase in credit risk since initial recognition. ECL is estimated based on historical observed default rates of debtors and forward-looking information that is available without undue cost or effort. No loss allowance was recognised for deposits and other receivables with gross carrying amounts of RMB5,344,000 as at 31 December 2022 (31 December 2021: RMB5,320,000), as the counterparties involved are considered with limited credit risk and the ECL involved is not material.

Other than the concentration of credit risks of bank balances mentioned above, the Group does not have any other significant concentration of credit risk.

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34. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk

In management of the liquidity risk, the Group monitors and maintains levels of bank balances and cash deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group had net current liabilities of RMB90,360,000 as at 31 December 2022. The Directors closely monitor the cash flows of the Group and would arrange the financing, when necessary, to ensure the Group has sufficient funds to enable the Group to meet its financial obligations in the foreseeable future.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of non-derivative financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Interest rates %	Within 180 days RMB'000	181 days to 365 days RMB'000	1-5 years RMB'000	>5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2022							
Trade and other payables	N/A	151,702	–	–	–	151,702	151,702
Lease liabilities	4.91-6.48	12,244	14,527	94,296	67,197	188,264	148,806
Bank borrowing	3.70-3.85	19	19	1,037	–	1,075	1,000
		163,965	14,546	95,333	67,197	341,041	301,508

	Interest rates %	Within 180 days RMB'000	181 days to 365 days RMB'000	1-5 years RMB'000	>5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2021							
Trade and other payables	N/A	137,169	–	–	–	137,169	137,169
Lease liabilities	4.91-6.37	13,218	13,094	95,007	7,787	129,106	111,054
		150,387	13,094	95,007	7,787	266,275	248,223

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

35. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group determines the appropriate valuation techniques and inputs for fair value measurements and works closely with the qualified valuer to establish the appropriate valuation techniques and inputs to the model.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

	NOTES	Fair value as at 31/12/2022 RMB'000	31/12/2021 RMB'000	Fair Value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable input to fair value
Financial assets at FVTPL							
Investment in the Tasly Fund	19	**88,913**	–	Level 3	Set out in Note 19	Discount rate	Note i
		–	111,652	Level 3	Set out in Note 19	Volatility	Note i
Investment in the Shaoxing Fund	19	**51,262**	51,524	Level 3	Set out in Note 19	Discount rate	Note ii
Investment in a financial product	19	**21,010**	–	Level 2	Redemption value quoted by financial institutions	N/A	N/A
Financial liability							
Forward contract to issue convertible bonds	28	**10,069**	–	Level 3	Set out in Note 28	Volatility and discount rate	Note iii

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

35. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Notes:

i. A slight increase in the discount rate used in isolation would result in a slight decrease in the fair value measurement of the investment, and vice versa. If the discount rate was 1% higher or lower while holding all other variables constant, the carrying amount of investment in the Tasly Fund would decrease by RMB12,053,000 or increase by RMB14,441,000 as at 31 December 2022. If the volatility was 10% higher or lower while holding all other variables constant, the carrying amount of investment in the Tasly Fund would decrease by RMB113,000 or increase by RMB267,000 as at 31 December 2021.

ii. A slight increase in the discount rate used in isolation would result in a slight decrease in the fair value measurement of the investment, and vice versa. If the discount rate was 0.80% (31 December 2021: 0.50%) higher or lower while holding all other variables constant, the carrying amount of investment in the Shaoxing Fund would decrease by RMB542,000 (31 December 2021: RMB583,000) or increase by RMB552,000 (31 December 2021: RMB592,000) as at 31 December 2022.

iii. A slight increase in the volatility used in isolation would result in a slight increase in the fair value of forward contract, and vice versa. If the volatility was 5.00% higher or lower while holding all other variables constant, the fair value of forward contract would increase by RMB6,684,000 or decrease by RMB6,595,000 as at 31 December 2022.

A slight increase in the discount rate used in isolation would result in a slight decrease in the fair value of forward contract, and vice versa. If the discount rate was 1.00% higher or lower while holding all other variables constant, the fair value of forward contract would decrease by RMB2,690,000 or increase by RMB3,160,000 as at 31 December 2022.

Details of reconciliation of Level 3 fair value measurement for the financial assets at FVTPL are set out in Note 19.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position of the Group approximate their respective fair values.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities RMB'000	Bank borrowing RMB'000	Other financial liability RMB'000	Issue costs for convertible bonds RMB'000	Total RMB'000
At 1 January 2021	51,060	–	–	–	51,060
Financing cash flows	(10,999)	–	–	–	(10,999)
Inception of lease	66,676	–	–	–	66,676
Modification of lease	639	–	–	–	639
Interest expenses recognised	3,678	–	–	–	3,678
At 31 December 2021	111,054	–	–	–	111,054
Financing cash flows	(23,546)	979	–	(13,493)	(36,060)
Interest expenses recognised	6,114	21	–	–	6,135
Fair value changes	–	–	10,069	–	10,069
Lease modified	58,169	–	–	–	58,169
Early termination of leases	(2,985)	–	–	–	(2,985)
Issue costs incurred	–	–	–	13,493	13,493
At 31 December 2022	**148,806**	**1,000**	**10,069**	**–**	**159,875**

37. MAJOR NON-CASH TRANSACTIONS

During the current year, the Group recognised right-of-use assets and lease liabilities of RMB58,169,000 and RMB58,169,000 respectively for a lease modification as detailed in Note 16. During the year ended 31 December 2021, the Group entered into new lease agreements for the use of leased properties for 5 years. On the lease commencement, the Group recognised right-of-use assets and lease liabilities of RMB62,160,000 and RMB62,160,000 respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

38. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The emoluments of key management during the year are as follows:

	For the year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Salaries and other allowances	**13,058**	15,678
Retirement benefits	**252**	352
Equity-settled share-based payment	**1,905**	45,430
	15,215	61,460

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

39. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries at 31 December 2022 are as follows:

Name of subsidiaries	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interests attributable to the Company 31 December				Principal activities
			2022		2021		
			Directly	Indirectly	Directly	Indirectly	
Hamiyang Ltd.	British Virgin Island	Registered capital of US$50,000 and fully paid share capital of US$1	**100%**	**–**	100%	–	Investment holding
JY Research Holdings Limited	Hong Kong	Issued and fully paid share capital of HK$1	**–**	**100%**	–	100%	Investment holding
Ankang Ruihe Biomedical Technology (Beijing) Co Ltd* (安康瑞和生物醫藥技術(北京)有限公司) (Note a)	PRC	Registered capital of HK$1,000,000,000 and paid-in capital of HK$648,664,000	**–**	**100%**	–	100%	Investment holding
Beijing Yongtai (Note b)	PRC	Registered capital of RMB600,000,000 and paid-in capital of RMB514,700,000	**–**	**100%**	–	100%	Biomedical technology development
Shanghai Yongtai Immunobiological Products Co Ltd* (上海永泰免疫生物製品有限公司) (Note b)	PRC	Registered capital of RMB300,000,000 and paid-in capital of RMB25,720,000	**–**	**100%**	–	100%	Inactive

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

39. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name of subsidiaries	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interests attributable to the Company 31 December				Principal activities
			2022		2021		
			Directly	Indirectly	Directly	Indirectly	
Beijing Weixiao (Note b)	PRC	Registered capital of RMB26,000,000 and paid-in capital of RMB5,000,000	–	**70%**	–	70%	Biomedical technology development
Guangzhou Yongrui Immunobiological Technology Co Ltd* (廣州永瑞免疫生物製品科技有限公司) (Note b)	PRC	Registered capital of RMB10,000,000 and paid-in capital of nil	–	**100%**	–	100%	Inactive
Yongtai Ruike (Note d)	PRC	Registered capital of RMB50,000,000 and paid-in capital of RMB100,000	–	**100%**	–	100%	Biomedical technology development
Shanghai Yongtai Ruike Immunobiological Technology Co Ltd* (上海永泰瑞科生物製品科技有限公司) (Note b)	PRC	Registered capital of RMB10,000,000 and paid-in capital of nil	–	**100%**	–	100%	Inactive
Zhejiang Yongrui Immunobiological Technology Co Ltd* (浙江永瑞生物製品科技有限公司) (Note b)	PRC	Registered capital of RMB30,000,000 and paid-in capital of RMB11,000,000	–	**100%**	–	100%	Inactive
Shenzhen Yongtai Biological Products Co., Ltd.* (深圳永泰生物制品有限公司) (Note b)	PRC	Registered capital of RMB2,000,000 and paid-in capital of nil	–	**68%**	–	68%	Inactive
Shenzhen Yongrui Biological Products Co., Ltd.* (深圳永瑞生物制品有限公司) (Note c)	PRC	Registered capital of RMB300,000,000 and paid-in capital of nil	–	–	–	100%	Inactive

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

39. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (CONTINUED)

Notes:

a. The entity is a wholly foreign owned enterprise established in the PRC with limited liability.

b. These entities were established in the PRC with limited liability.

c. Shenzhen Yongrui Biological Products Co., Ltd. was deregistered in May 2022.

d. As described in Note 3, the Company does not have directly or indirectly legal ownership in equity of Yongtai Ruike. Nevertheless, under certain Contractual Arrangements entered into with Beijing Yongtai, Yongtai Ruike and its equity holders, the Company and its legal owned subsidiary have power over Yongtai Ruike, have rights to variable returns from its involvement with Yongtai Ruike and have the ability to affect those returns through power over Yongtai Ruike and are considered to have control over Yongtai Ruike. Consequently, the Company regards Yongtai Ruike as an indirect subsidiary.

* English names are for identification purpose only.

None of the subsidiaries had issued any debt securities during the year or at the end of the year (31 December 2021: nil).

40. CAPITAL COMMITMENTS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Capital expenditure in respect of the acquisition of equipment, machineries and leasehold improvements contracted for but not provided in the consolidated financial statements	**591,276**	653,734

Notes to the Consolidated Financial Statements

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41. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Information about the financial position of the Company at the end of the reporting period includes:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**801,420**	638,673
Equipment	**–**	3,420
Intangible assets	**19,320**	–
Prepayments, deposits and other receivables	**–**	18,373
Amount due from a subsidiary	**301,226**	271,826
Financial assets at FVTPL	**88,913**	111,652
	1,210,879	1,043,944
CURRENT ASSETS		
Prepayments, deposits and other receivables	**5,520**	131
Bank balances and cash	**13,897**	244,171
Financial assets at FVTPL	**21,010**	–
	40,427	244,302
CURRENT LIABILITIES		
Other payables	**13,839**	1,617
Lease liabilities	**–**	939
Other financial liability	**10,069**	–
	23,908	2,556
NET CURRENT ASSETS	**16,519**	241,746
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,227,398**	1,285,690
NON-CURRENT LIABILITY		
Lease liabilities	**–**	152
NET ASSETS	**1,227,398**	1,285,538
CAPITAL AND RESERVES		
Share capital	**3,576**	3,576
Reserves	**1,223,822**	1,281,962
TOTAL EQUITY	**1,227,398**	1,285,538

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

41. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

Movements in the Company's reserves

	Share premium RMB'000	Share option reserve RMB'000	Accumulated loss RMB'000	Total RMB'000
At 1 January 2021	1,402,498	152,108	(241,315)	1,313,291
Loss and total comprehensive expense for the year	–	–	(80,275)	(80,275)
Recognition of equity-settled share-based payment	–	48,946	–	48,946
At 31 December 2021	1,402,498	201,054	(321,590)	1,281,962
Loss and total comprehensive expense for the year	–	–	(62,425)	(62,425)
Recognition of equity-settled share-based payment	–	4,285	–	4,285
At 31 December 2022	**1,402,498**	**205,339**	**(384,015)**	**1,223,822**

42. EVENT AFTER THE REPORTING PERIOD

On 20 February 2023, the issuance of the convertible bonds was completed and the Company received the consideration of RMB300 million. Details are set out in the Company's announcement dated 20 February 2023.

Definitions

"6B11"	the monoclonal anti-idiotypic antibody prepared by Beijing Weixiao with COC166-9 immunised mice with monoclonal antibody to mimic ovarian cancer-related antigen OC166-9
"6B11-OCIK Injection"	Injection of ovarian cancer autologous cytotoxic T lymphocyte, one of the Group's biologic product pipeline for treatment of ovarian cancer
"Articles of Association"	the articles of association adopted by our Company on 6 June 2020
"Audit Committee"	the audit committee of the Board
"Auditor"	Deloitte Touche Tohmatsu, the external auditor of the Company
"B cells"	a type of lymphocytes
"Beijing Weixiao"	Beijing Weixiao Biotechnology Development Limited* (北京緯曉生物技術開發有限責任公司), a subsidiary of the Company
"Beijing Yongtai"	Immunotech Applied Science Limited (北京永泰生物製品有限公司), a limited liability company established in the PRC on 20 November 2006 and an indirect wholly-owned subsidiary of our Company
"Board" or "Board of Directors"	the board of directors of the Company
"CAR-T cells"	chimeric antigen receptor T cells, are T cells that have been genetically engineered to produce an artificial T-cell receptor and chimeric antigen receptors that have been engineered to give T cells the new ability to target a specific protein on the surfaces of cells
"CDE"	Centre for Drug Evaluation of the NMPA
"CEO"	chief executive officer
"CG Code" or "Corporate Governance Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"China", "Mainland China" or "the PRC"	the People's Republic of China, excluding, for the purpose of this report, Hong Kong, Macau Special Administration Region and Taiwan
"CMV"	Cytomegalovirus
"Company", "the Company" or "We"	Immunotech Biopharm Ltd (永泰生物製藥有限公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability on 11 April 2018
"Convertible Bonds"	the 11.75% secured convertible bonds due in 2025 in the aggregate principal amount of RMB300 million have been issued by the Company to the Investor pursuant to the Subscription Agreement

Definitions

"Consolidated Affiliated Entity"	the entity we control through the Contractual Arrangements, being Yongtai Ruike
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and, in the context of this report, means the controlling shareholders of the Company, being Mr Tan and Tan Zheng Ltd
"Convertible Preference Shares"	the convertible preference shares with an aggregate par value of US$5,000.0 issued pursuant to the Preference Share Subscription Agreement by our Company to Poly Platinum
"Core Product Candidate"	our "core product" as defined under Chapter 18A of the Listing Rules, namely EAL®
"CR Pharma"	China Resources Pharmaceutical Group Limited, a company listed on the Main Board of the Stock Exchange (stock code 3320)
"CRO"	contract research organisation, a company which provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis
"CTO"	chief technology officer
"Director(s)"	the director(s) of the Company
"EBV"	Epstein-Barr virus, a member of the herpes virus family
"FVTPL"	Financial assets at fair value through profit or loss
"Global Offering"	the Hong Kong Public Offering and the International Offering
"GMP"	good manufacturing practice, and in the context of PRC laws and regulations, refers to guidelines and regulations from time to time issued pursuant to the PRC Drug Administration Law (中華人民共和國藥品管理法) as part of quality assurance which aims to minimise the risks of contamination, cross contamination, confusion, and errors during the manufacture process of pharmaceutical products and to ensure that pharmaceutical products subject to these guidelines and regulations are consistently produced and controlled in conformity to quality and standards appropriate for their intended use
"Group" or "the Group"	the Company and its subsidiaries
"Guosheng Laboratory"	a R&D facility located at Guosheng Technology Park, No.1 Kangding Street, Beijing Economic-technological Development Area, Beijing, China leased by the Group
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HLA"	human leukocyte antigen, a gene complex encoding the major MHC proteins

Definitions

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HPV"	human papillomavirus
"IND"	investigational new drug
"Industry Fund"	the cellular immunotherapy specialised industry fund (細胞免疫治療專項產業基金)
"Investment Fund" or "Talsy Fund"	the Company entered into the subscription agreement with Tasly Bioscience, to govern their relationship and provide for, among others, the manner of operation and management of the investment fund
"Investor"	Tasly (Hong Kong) Pharmaceutical Investment Limited
"Korea"	Republic of Korea
"Leadman"	Beijing Leadman Biochemistry Co., Ltd, a company incorporated in the PRC, being the landlord under the Lease Agreement
"Lease Agreement"	the formal lease agreement dated 9 October 2021 entered into between Beijing Yongtai as the tenant and Leadman as the landlord in relation to the lease of the Premises
"License Agreement"	the license agreement dated 30 December 2020 made between the Company and T-Cure in relation to the grant exclusive license to the Company to use T-Cure IP for the development, manufacturing and commercialisation of Licensed Products in the Territory pursuant to the terms of the License Agreement
"Licensed Patent Rights"	licensed patent rights of 800TCR, which is a T cell receptor (TCR) encoded by a retrovirus (including lentivirus) recognising the HERVE-E tumour antigen
"Licensed Product(s)"	tangible materials within the scope of one or more claims of the Licensed Patent Rights
"Listing" or "IPO"	the listing of the Shares on the Main Board of the Stock Exchange on 10 July 2020
"Listing Date"	10 July 2020, being the date on which the Shares were listed on the Main Board
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Lymphocytes"	a sub-type of white blood cells, such as T cells, B cells and NK cells
"Main Board"	the Main Board of the Stock Exchange
"MHC"	major histocompatibility complex, proteins found on the surfaces of cells specialised for displaying short peptide fragments on the surface of cells

Definitions

"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"NDA"	new drug application
"NIH"	the U.S. Department of Health and Human Services, as represented by the National Heart, Lung, and Blood Institute, an institute or centre of the National Institutes of Health
"NK cells"	natural killer cells, a type of lymphocyte and a component of innate immune system
"NMPA"	National Medical Products Administration of the People's Republic of China
"Nomination Committee"	the nomination committee of the Board
"Poly Platinum"	Poly Platinum Enterprises Limited, a business company incorporated in the BVI on 9 November 2018 and a direct wholly-owned subsidiary of Greater Bay Area Homeland Development Fund LP (大灣區共同家園發展基金有限合夥), an Independent Third Party
"Preference Shares Subscription Agreement"	the subscription agreement dated 3 June 2019, as amended and supplemented by the first supplemental subscription agreement dated 12 June 2019 entered into, among other parties, between Poly Platinum and our Company in relation to the subscription of 5,000 Convertible Preference Shares for HK$200 million
"Prospectus"	the prospectus issued by the Company dated 29 June 2020
"R&D"	research and development
"Registered Shareholders"	the registered shareholders of Yongtai Ruike, being Mr Tan Zheng and Dr Wang Yu
"Remuneration Committee"	the remuneration committee of the Board
"Renminbi" or "RMB"	Renminbi Yuan, the lawful currency of China
"Reporting Period"	the 12-month period from 1 January 2022 to 31 December 2022
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended supplemented or otherwise modified from time to time
"Shanghai NKY"	Shanghai NKY Precision Medical Co., Ltd.* (上海新開源精準醫療有限公司)
"Shaoxing Binhai Investment Fund" or "Shaoxing Fund"	Shaoxing Binhai New Area Biomedical Industry Equity Investment Fund Partnership (LP)* (紹興濱海新區生物醫藥產業股權投資基金合夥企業(有限合夥))

Definitions

"Shareholder(s)"	holder(s) of Shares
"Share(s)"	ordinary shares with a nominal value of US$0.001 each in the capital of the Company
"sq.m."	square metres
"SMO"	site management organisation, a company that provides clinical trial related services
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategic Cooperation Framework Agreement"	the strategic cooperation agreement dated 17 September 2021 entered into, among other parties, between the Company and CR Pharma regarding their strategic cooperation
"Subscription Agreement"	the subscription agreement dated 28 October 2022 entered into among the Company, the Investor and others in relation to the subscription of the Convertible Bonds
"T cells" or "T Lymphocytes"	a type of lymphocytes produced or processed by the thymus gland and actively participating in the immune response, which plays a central role in cell-mediated immunity. T cells can be distinguished from other lymphocytes, such as B cells and NK cells, by the presence of a T cell receptor on the cell surface
"T-Cure"	T-Cure Bioscience, Inc.
"T-Cure IP"	the know-hows, patent rights and processes that are controlled or owned by T-Cure necessary or useful to develop, manufacture or commercialise the Licensed Products
"Tasly Bioscience"	Tasly Bioscience Fund Limited
"TCR"	T cell receptor, a molecule found on the surface of T cells responsible for recognising fragments of antigen
"Territory"	the Republic of Korea, PRC, including Hong Kong and Macau, but (for the purpose of this transaction) excluding Taiwan
"TGF-ß"	transforming growth factor beta, a family of proteins involved in regulating and mediating processes at the cellular level
"U.S. dollar(s)", "USD" or "US$"	United States dollars, the lawful currency of the United States of America
"Yongtai Ruike"	Beijing Yongtai Ruike Biotechnology Company Ltd (北京永泰瑞科生物科技有限公司), a company established in the PRC with limited liability on 8 June 2018 and is a wholly-owned subsidiary of the Company

In this annual report, capitalised terms used shall have the same meanings as those defined in the Prospectus, unless the context otherwise requires.