GenScript

金斯瑞生物科技股份有限公司*

GENSCRIPT BIOTECH CORPORATION

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1548

ANNUAL REPORT

2022

Make People and
Nature Healthier through

BIOTECHNOLOGY

*For identification purpose only

Genscript Biotech Corporation (the "**Company**" or "**GenScript**", together with its subsidiaries referred to as the "**Group**") is a well-recognised biotechnology company. The Company's mission is to "**Make People and Nature Healthier through Biotechnology**".

The Group is a company that applies its proprietary technology to various fields from basic and translational research to translational biologics drug development and manufacturing, industrial synthetic products, and cell therapeutic solutions. Leveraging in the Group's proprietary gene synthesis and other technology and know-hows, the Group has established four major platforms including (i) a life-science services and products platform, (ii) a biologics contract development and manufacturing organization ("**CDMO**") platform, (iii) an industrial synthetic products platform, and (iv) an integrated global cell therapy platform. The life-science services and products platform provides one-stop solutions to global research communities and remains as the strong and stable revenue generating foundation for the entire corporate. The CDMO platform provides end-to-end biologics discovery and development services to pharmaceutical, biotech, government and academic customers worldwide. The industrial synthetic products platform develops products for food and feed processing and other industrial uses. The cell therapy platform provides cell therapy solutions to patients with refractory diseases including cancer and inflammatory diseases.

With a strong sales and marketing team and strong research and development capabilities, the Company continues to sustain strong growth in all business segments.

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CORPORATE PROFILE

Genscript Biotech Corporation (the "**Company**" or "**GenScript**", together with its subsidiaries, the "**Group**") is a well-recognised biotechnology company. Based on our proprietary gene synthesis technology and the other technology and know-hows on life-science research and application, we have four well established major platforms including (i) a life-science services and products platform, (ii) a CDMO platform, (iii) an industrial synthetic products platform, and (iv) an integrated global cell therapy platform. The above four internally built platforms have demonstrated their strong growth from research and development to commercial delivery for year ended December 31, 2022 (the "**Year**" and the "**Reporting Period**") respectively.

The Group has been inspired by the mission "**Make People and Nature Healthier through Biotechnology**" since it was founded 20 years ago. Our clients' business need is the Group's first priority and the ultimate cornerstone for pursuing its long-term development. We have been improving our clients' competitiveness through providing our quality, fast-delivery and cost-effective services and products. Internally, we focus on streamlining our operational workflows and procedures with the aim to strive for the highest quality of end-to-end delivery. Externally, we actively promote the value of strategic collaboration with business partners with the vision to build up a healthy biotech eco-system. We would like to contribute more of our efforts to speed up the evolution of the whole biotech and biopharma industry, to realize multi-win among all the participating partners in this industry.

Our main business comprises four segments, namely, (i) life-science services and products, (ii) biologics development services, (iii) industrial synthetic biology products, and (iv) cell therapy. During the Reporting Period, we had generated external revenue of approximately US$349.8 million, US$120.2 million, US$38.2 million, and US$116.7 million from these four segments, representing approximately 55.9%, 19.2%, 6.1% and 18.7% of our total external revenue, respectively. The above four internally built platforms collectively have demonstrated their strong growth from research and development to commercial delivery for the Reporting Period.

The life-science services and products segment offers services and products covering gene synthesis, oligo nucleotide synthesis, peptide synthesis, protein production, antibody development, and catalog equipment and consumables. By servicing early stage research and discovery projects at pharma, biotech and academic institutions, our business has made significant contributions to the global life science research community. Our services and products have been cited in over 76,000 international peer reviewed journal articles as at December 31, 2022.

Corporate Profile

The CDMO platform provides one-stop gene and cell therapy ("**GCT**") and antibody therapeutics discovery and development services to customers worldwide. The CDMO business focused on expanding the Good Manufacturing Practice ("**GMP**") capabilities and commercial network globally during the Year. GMP facilities are under construction according to our strategic plan with phase-by-phase delivery of the discovery, development, and medium to large scale of manufacturing capacity to meet demands from our customers.

Legend Biotech Corporation ("**Legend**" or "**Legend Biotech**") is the biopharma subsidiary of the Group that specifically engages in the discovery and development of novel cell therapies for oncology and other indications. Legend's lead product candidate, ciltacabtagene autoleucel (cilta-cel), is a chimeric antigen receptor T-cell ("**CAR-T**") therapy jointly developed with Janssen Biotech, Inc. ("**Janssen**"), for the treatment of multiple myeloma ("**MM**").

Bestzyme Biotech Corporation ("**Bestzyme**") is a subsidiary of the Group engaged in the synthetic biology fields. Bestzyme uses our advanced enzyme engineering technology to develop products for feed, alcohol, food and household care industries. We believe synthetic biology offers us new opportunities from both technical and commercial perspectives.

We have established an extensive direct sales network, reaching over 100 countries globally. We primarily sell our life-science research services and products through our own direct sales force to customers worldwide, while we also sell our services and products through independent third-party distributors to expand our market presence and facilitate communication with end users. For the year ended December 31, 2022, we had generated approximately US$332.1 million, US$166.7 million, US$53.3 million, US$59.0 million, and US$14.6 million from our sales to customers in the U.S., Mainland China, Europe, Asia Pacific (excluding Mainland China), and others, representing approximately 53.1%, 26.7%, 8.5%, 9.4%, and 2.3% of our total external revenue, respectively.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Zhang Fangliang *(Appointed as a non-executive Director with effect from May 2, 2022 and re-designated as an executive Director with effect from December 17, 2022)*
Mr. Meng Jiange *(Chairman)*
Ms. Wang Ye *(President)*
Dr. Zhu Li *(Chief Strategy Officer)*

Non-Executive Directors

Dr. Wang Luquan
Mr. Pan Yuexin
Ms. Wang Jiafen

Independent Non-Executive Directors

Mr. Guo Hongxin
Mr. Dai Zumian
Mr. Pan Jiuan
Dr. Wang Xuehai

AUDIT COMMITTEE

Mr. Dai Zumian *(Chairman)*
Mr. Pan Jiuan
Mr. Guo Hongxin

REMUNERATION COMMITTEE

Mr. Guo Hongxin *(Chairman)*
Ms. Wang Ye
Mr. Dai Zumian

NOMINATION COMMITTEE

Mr. Meng Jiange *(Chairman)*
Mr. Pan Jiuan
Mr. Dai Zumian

RISK MANAGEMENT COMMITTEE

Dr. Zhang Fangliang *(Chairman)*
Mr. Guo Hongxin
Mr. Pan Jiuan

STRATEGY COMMITTEE

Dr. Zhang Fangliang *(Chairman)*
Mr. Pan Jiuan
Ms. Wang Jiafen

SANCTIONS RISK CONTROL COMMITTEE

Dr. Liu Zhenyu *(Chairman) (Appointed with effect from March 19, 2022)*
Ms. Shao Weihui *(Appointed with effect from March 19, 2022)*
Dr. Eric Wang
Mr. Wei Shiniu *(Appointed with effect from March 19, 2022)*
Ms. Wang Ye *(Resigned with effect from March 19, 2022)*
Mr. Meng Jiange *(Resigned with effect from March 19, 2022)*
Mr. Wu Sheng *(Resigned with effect from March 19, 2022)*

COMPANY SECRETARY

Ms. Wong Wai Ling

AUTHORIZED REPRESENTATIVES

Mr. Meng Jiange
Dr. Zhu Li

HONG KONG LEGAL ADVISERS

Jones Day
31/F Edinburgh Tower
The Landmark
15 Queen's Road
Central
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AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
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Corporate Information

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HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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103 South Church Street
George Town
P.O. Box 10240, Grand Cayman KY1-1002
Cayman Islands

HONG KONG SHARE REGISTRAR

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183 Queen's Road East
Wan Chai
Hong Kong

PRINCIPAL BANKS

JPMorgan Chase Bank

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New York
NY 10017
USA

Yueyahu Branch of China Merchant Bank

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Nanjing
PRC

COMPANY WEBSITES

www.genscript.com
www.genscriptprobio.com
www.legendbiotech.com
www.bestzyme.com

PLACE OF LISTING OF SHARES

The Stock Exchange of Hong Kong Limited
— Main Board

STOCK CODE

1548

STOCK NAME

GENSCRIPT BIO

FINANCIAL HIGHLIGHT

- Revenue of the Group for the year ended December 31, 2022 was approximately US$625.7 million, representing an increase of 27.7% as compared with approximately US$490.1 million for the year ended December 31, 2021, among which, the external revenue for non-cell therapy business was approximately US$509.0 million, representing an increase of 19.8% as compared with approximately US$424.7 million for the year ended December 31, 2021, and the external revenue for cell therapy business was approximately US$116.7 million, representing an increase of 78.4% as compared with approximately US$65.4 million for the year ended December 31, 2021.

- Gross profit of the Group for the year ended December 31, 2022 was approximately US$304.1 million, representing an increase of 7.6% as compared with approximately US$282.5 million for the year ended December 31, 2021, among which, the gross profit of non-cell therapy business before eliminations was approximately US$257.1 million, representing an increase of 15.1% as compared with approximately US$223.4 million for the year ended December 31, 2021, and the gross profit of cell therapy business before eliminations was approximately US$51.6 million, representing a decrease of 25.0% as compared with approximately US$68.8 million for the year ended December 31, 2021.

- Loss of the Group for the year ended December 31, 2022 was approximately US$428.0 million, whilst loss of the Group was approximately US$518.3 million for the year ended December 31, 2021.

  The adjusted net loss of the Group was approximately US$359.4 million, whilst the adjusted net loss was approximately US$327.8 million for the year ended December 31, 2021, among which, the adjusted net profit of non-cell therapy business before eliminations was approximately US$62.4 million, representing an increase of 31.4% as compared with approximately US$47.5 million for the year ended December 31, 2021, and the adjusted net loss of cell therapy business before eliminations was approximately US$422.1 million, whilst the adjusted net loss of cell therapy business was approximately US$372.4 million for the year ended December 31, 2021.

- Loss attributable to owners of the Company for the year ended December 31, 2022 was approximately US$226.9 million, whilst loss attributable to owners of the Company was approximately US$358.7 million for the year ended December 31, 2021.

Financial Highlight

Notes:

(1)

	For the year ended December 31, 2022				For the year ended December 31, 2021			
	Non-cell therapy US$'000	Cell therapy US$'000	Eliminations US$'000	Total US$'000	Non-cell therapy US$'000	Cell therapy US$'000	Eliminations US$'000	Total US$'000
Net profit/(loss)	18,094	(446,349)	284	(427,971)	(111,815)	(403,582)	(2,930)	(518,327)
Excluding: Share-based compensation expenses, net of tax	21,980	34,338	–	56,318	19,533	20,158	—	39,691
Fair value losses/(gains) of preferred shares and warrants	2,131	(20,900)	–	(18,769)	133,228	6,200	—	139,428
Losses/(gains) related to foreign currency forward contracts, net of tax	6,143	–	–	6,143	(2,765)	—	—	(2,765)
Consultation and other related costs for the Investigation, net of tax	2,958	–	–	2,958	3,266	—	—	3,266
Impairment loss on long-term assets	11,477	–	–	11,477	1,699	—	—	1,699
Exchange (gains)/losses, net of tax	(3,184)	9,159	–	5,975	4,145	4,845	—	8,990
Fair value losses/(gains) of non-current financial assets, net of tax	1,539	–	–	1,539	(312)	—	—	(312)
Service fees and other costs for equity financing activities	1,293	1,621	–	2,914	504	—	—	504
Adjusted net profit/(loss)	62,431	(422,131)	284	(359,416)	47,483	(372,379)	(2,930)	(327,826)

(2) In order to better reflect the key performance of the Group's current business and operations, the adjusted net loss is calculated on the basis of net loss, excluding: (i) share-based compensation expenses, (ii) fair value gains or losses of preferred shares and warrants, (iii) gains or losses related to foreign currency forward contracts, (iv) consultation and other related costs for the Investigation (as defined in the announcement of the Company dated September 21, 2020), (v) exchange gains or losses, (vi) fair value gains or losses of non-current financial assets, (vii) service fees and other costs for equity financing activities, and (viii) impairment loss on long-term assets.

(3) All the comparative financial figures in this report have been adjusted according to the restated financial statements for the year of 2021. The adjustment was solely derived from the restatement of Legend Biotech. Please refer to note 2.2 to the financial statements below for details.

FIVE-YEAR FINANCIAL SUMMARY

	For the year ended December 31,				
	2018 (Restated) US$'000	2019 (Restated) US$'000	2020 (Restated) US$'000	2021 (Restated) US$'000	**2022 US$'000**
Operation Results					
Revenue	578,375	276,070	390,170	490,096	**625,698**
Gross profit	505,897	183,006	255,217	282,518	**304,083**
Profit/(Loss) after income tax	284,482	(86,134)	(244,319)	(518,327)	**(427,971)**
Profit/(Loss) attributable to owners of the Company	244,959	(70,288)	(181,723)	(358,712)	**(226,851)**
Non-controlling interest	39,523	(15,846)	(62,596)	(159,615)	**(201,120)**
Basic earnings/(loss) per share *(US$)*	0.1367	(0.0379)	(0.0956)	(0.1767)	**(0.1082)**
Diluted earnings/(loss) per share *(US$)*	0.1332	(0.0379)	(0.0956)	(0.1767)	**(0.1082)**
Assets					
Non-current assets	168,596	335,365	454,232	594,808	**781,433**
Current assets	704,694	558,949	994,260	1,639,060	**1,764,950**
Current liabilities	62,841	190,993	282,311	413,305	**545,978**
Net current assets	641,853	367,956	711,949	1,225,755	**1,218,972**
Non-current liabilities	72,890	56,831	33,074	432,870	**637,737**
Net assets	737,559	646,490	1,133,107	1,387,693	**1,362,668**
Cash and cash equivalents	494,558	252,397	629,058	1,180,971	**1,023,999**
Inventories turnover days	55	65	72	73	**71**
Trade receivables turnover days	71	77	67	70	**72**
Trade payables turnover days	48	47	47	43	**47**

CHAIRMAN'S STATEMENT

Dear fellow shareholders,

Greetings! It is my pleasure to write this letter again this year.

Genscript group had a remarkable year in 2022 while we continued to execute our long-term growth strategy centered in the cell and gene therapy field.

The whole Genscript team had worked tirelessly to introduce our products and services to new and existing customers, push forward innovative ideas in both pre-clinical and clinical settings, and increase our operating efficiency in both front office and back office functions. These efforts have led to the continued growth in revenue. We were also able to increase our profit margin on the non-cell therapy side of the business. As a fellow shareholder, I am satisfied with such a performance.

More importantly, our cell therapy product, CARVYKTI, received the much anticipated the United States ("**U.S.**") Food and Drug Administration ("**FDA**") approval for commercialization in March 2022. Subsequently, we also received approval from other countries and regions such as Japan and Europe. We wasted no time to start supplying CARVYKTI to suitable patients. We are officially saving lives and I cannot be more proud of this! I think this achievement cannot be simply viewed in dollars and cents since each life is invaluable. We have always believed firmly in creating positive societal impact. CARVYKTI is just another example of this.

In this year's letter, I would like to address several important topics.

TURBULENT EXTERNAL MARKETS

In the past couple of years, I have written about the difficulties we face in a macro environment repeatedly. Unfortunately, despite our best wishes, the world we live and operate business in did not become more peaceful or collaborative in 2022. Nor did the world's economy show any sign of sustained improvement. The U.S. Federal Reserve System continues to raise interest rates to combat the stubbornly high inflation despite causing strains on financial institutions. Chinese economy's growth momentum was slowed down in 2022 due to travel controls and other measures aimed at containing the spread of COVID-19.

Due to these geopolitical and economic factors, we find ourselves navigating in increasingly choppy waters. Public and private market investors have become more reluctant to fund biotech startups that may take years to reach cash flow breakeven, if they are so lucky to reach breakeven at all. Certainly, this environment has put pressure on our own operations as many of our customers are reliant upon outside financing to fund their research and development ("**R&D**") targets and reach their business objectives.

Nevertheless, we believe our industry is creating value for the entire human race. Better healthcare and a cleaner environment are desired by everyone. Over time the market will again appreciate companies that are trying to solve such fundamental long-term issues.

More importantly, our truly high quality and differentiated products and services are critical in enabling our customers to carry their projects to the next phase and ultimately enabling our customers to create commercial value. In difficult times, our dedication to our customers is the key to ensuring our long-term success through peaks and valleys of economic cycles.

Chairman's Statement

OVERSEAS MANUFACTURING CAPACITY AND EFFICIENCY GAINS

With that said, we are not sitting idle. In the past 18 months, we have been actively expanding overseas manufacturing capabilities in New Jersey and Singapore. Such capacity build out is partially a response to the more fragile supply chain globally post COVID-19 as we have to ensure we can have access to high quality raw materials and equipment in a timely manner.

But more importantly, we found it absolutely necessary to stay close to our customers. As we are constantly trying to improve our service level and bring value to our customers, we have realized that many of our overseas customers are less price sensitive, rather they care a great deal about turnaround time and the ease of communication. Building manufacturing facilities in New Jersey and Singapore will undoubtedly improve our customers' experience and in turn help us gain more business.

Understandably, there are many operational obstacles when setting up manufacturing overseas. Purchasing, engineering, and other functions have to be set up from scratch. We also have to recruit capable local talents and transfer established standardized processes while international travel has not been easy during the pandemic. Despite such challenges, we have managed to open our gene synthesis and protein expression service lines in New Jersey and Singapore, respectively. We also expect to launch our Good Manufacturing Practice plasmid manufacturing service in New Jersey in the near future.

Going forward, we will have to improve the efficiency for overseas sites so that the manufacturing costs can be comparable to that of our domestic China sites. This needs continuous collaboration among our operation teams to lower logistic costs, increase purchasing scale benefits, improve training and retention of talents, and innovate our products and services through R&D. I believe we have built the necessary infrastructure in place to achieve this and remain competitive no matter where we produce our products and deliver services in the long term.

ON OUR CORPORATE STRUCTURE

In the past few years, we have made great strides to realign our corporate structure to better facilitate business growth and unlock value.

In 2020, we separated out our cell therapy business, Legend, as a publicly listed company on NASDAQ Global Selected Market. In 2021, we further developed our biologics CDMO business, Genscript Probio, as we raised series A financing for this business. In 2022 and early 2023, we raised further financing for Probio to support its capacity build out and technological advancement. We plan to turn Probio into a full-fledged independently operating entity in the next several years as the business gains more size and profitability. Now both of these two major business units that are in growth stage have established their own financing platform while our more mature life science group business will continue to operate in a cash flow positive manner.

Our corporate structure gives us a great deal of flexibility in allocating resources to maximize shareholders' value. When the financial market participants are more optimistic, we can have access to financing that is accretive and use that to grow our business rapidly. We also have the ability to invest into individual business units using group level resources.

For example, we increased our stake in Legend at the end of 2021 through participating in Legend's follow-on offering when the public market was fearful due to uncertainty surrounding the Public Company Accounting Oversight Board's ("**PCAOB**") request to inspect the U.S. listed foreign companies. We also recently increased the Group's investment into Probio in connection with its series C financing. We made such investments because we have a long investment time horizon. Difficulties rising from political tension or economic cycle will be proven to be transient compared to our long-term view on the growth of healthcare industry, particularly in cell and gene therapy related area.

Overall, I believe Genscript is on solid footing thanks to the thoughtful planning and dedicated work by the management team in recent years. We will prevail as long as we continue to focus on long-term growth while executing each present task relentlessly with the high standard we have built in the past two decades.

Thank you for your continued support as always.

Sincerely yours,
Meng Jiange
Chairman and Executive Director

March 31, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

POSITIONING OF THE COMPANY

The Group is a well-recognised biotechnology company. Based on our proprietary gene synthesis technology and the other technology and know-hows on life-science research and application, we have well established four major platforms including (i) a life-science services and products platform to provide one-stop solutions to global research communities, (ii) a biologics CDMO platform, (iii) an industrial synthetic products platform, and (iv) an integrated global cell therapy platform. The above four internally built platforms collectively have demonstrated their strong growth from R&D to commercial delivery for the Reporting Period.

The Group's business operations span over 100 countries and regions worldwide with legal entities located in the U.S., Mainland China, Hong Kong, Japan, Singapore, Netherlands, Ireland, the United Kingdom, Korea and Belgium. Our professional workforce is consisted of approximately 6,213 team members as at December 31, 2022.

The life-science services and products segment offers services and products covering gene synthesis, oligo nucleotide synthesis, peptide synthesis, protein production, antibody development, and catalog equipment and consumables. By servicing early stage research and discovery projects at pharma, biotech and academic institutions, our business has made significant contributions to the global life science research community. Our services and products have been cited in over 76,000 international peer reviewed journal articles as at December 31, 2022.

The CDMO platform provides one-stop GCT development and biologics discovery, development and manufacturing services to customers worldwide. The CDMO business focused on expanding the manufacturing capacity and commercial network globally during the Year.

Legend Biotech is the biopharma subsidiary of the Group that specifically engages in the discovery and development of novel cell therapies for oncology and other indications. Legend's lead product candidate, ciltacabtagene autoleucel (cilta-cel), is a CAR-T therapy jointly developed with Janssen, for the treatment of MM.

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BUSINESS REVIEW

During the Reporting Period, the overall revenue of the Group was approximately US$625.7 million, representing an increase of 27.7% as compared with approximately US$490.1 million for the year ended December 31, 2021. Gross profit was approximately US$304.1 million, representing an increase of 7.6% as compared with approximately US$282.5 million for the year ended December 31, 2021. The increase in revenue and gross profit was primarily attributable to (i) the stable market share growth and brand awareness of non-cell therapy business with new competitive services and products, especially in biologics development services, and (ii) the product sales of CARVYKTI after the commercialization approval from the U.S. FDA.

During the Reporting Period, the loss of the Group was approximately US$428.0 million, whilst loss was approximately US$518.3 million for the year ended December 31, 2021. The adjusted net loss of the Group was approximately US$359.4 million, whilst adjusted net loss was approximately US$327.8 million for the year ended December 31, 2021.

During the Reporting Period, the loss attributable to owners of the Company was approximately US$226.9 million, whilst loss attributable to owners of the Company was approximately US$358.7 million for the year ended December 31, 2021. The adjusted net loss attributable to owners of the Company was approximately US$167.8 million, whilst adjusted net loss attributable to owners of the Company was approximately US$181.0 million for the year ended December 31, 2021.

During the Reporting Period, the external revenue of (i) life-science services and products, (ii) biologics development services, (iii) industrial synthetic biology products, (iv) cell therapy, and (v) operation unit accounted for approximately 55.9%, 19.2%, 6.1%, 18.7%, and 0.1% of the total revenue of the Group, respectively.

Results Analysis of the Four Business Segments

	For the year ended December 31, 2022			
	Life-science services and products US$'000	Biologics development services US$'000	Industrial synthetic biology products US$'000	Cell therapy US$'000
Revenue	360,540	125,009	38,664	117,005
Adjusted gross profit	201,120	42,857	16,609	53,038
Adjusted selling and distribution expenses	51,414	13,898	3,559	89,796
Adjusted administrative expenses	43,382	22,847	5,437	68,700
Adjusted research and development expenses	40,214	7,260	4,755	316,637
Adjusted operating profit/(loss)	66,110	(1,148)	2,858	(422,095)

As the Group has reallocated back office administrative expenses into each business segment following the establishment of Probio legal entities in the second half of 2021, segment operating profit is not directly comparable to the same period in 2021. The adjusted expenses exclude the impact from: (i) share-based compensation expenses, (ii) consultation and other related costs for the Investigation, and (iii) service fees and other costs for equity financing activities.

Management's Discussion and Analysis

Life-science services and products

This segment provides comprehensive life-science research services and products in seven key categories, namely, gene synthesis and molecular cloning, oligonucleotide synthesis, protein engineering, peptide synthesis, antibody development, molecular diagnostics tools and genome editing materials. These services and products are essential to a wide range of life-science research and application areas, including basic biology studies, pharmaceutical and drug discovery, disease diagnostics and vaccine, agriculture, environmental studies, and the food industry. The COVID-19 related in vitro diagnostic business is also included in this segment.

Results

During the Reporting Period, revenue from life-science services and products was approximately US$360.5 million, representing an increase of 14.2% as compared with approximately US$315.8 million for the year ended December 31, 2021. The adjusted gross profit was approximately US$201.1 million, representing an increase of 8.0% as compared with approximately US$186.2 million for the year ended December 31, 2021. The adjusted gross profit margin decreased slightly from 59.0% for the same period in 2021 to 55.8% this Reporting Period. The adjusted operating profit of life-science services and products was approximately US$66.1 million.

The increase in revenue was driven by a combination of (i) the increased demand in each of the segment's principal businesses with particular strength in molecular biology, protein and antibody business, and (ii) the successful commercialization of innovative platforms such as sgRNA, and was partially offset by the decreased demand for testing to diagnose COVID-19. The decrease in adjusted gross profit margin was primarily attributable to the (i) increment in labor, overhead and facility cost related to overseas site operation, (ii) increased freight and duty costs, and (iii) changes in product portfolio strategy. The adjusted operating profit was positively impacted from operational efficiency, while negatively impacted by increased research and development efforts focused on the enhancement to existing services and development of new products.

Development strategies

The Company intends to (i) provide reliable, superior quality and innovative products and services for the life science research and development community, (ii) expand technical capabilities and manufacturing capacity to provide pioneering enabling products and services for GCT and precision medicine R&D, and (iii) bolster global manufacturing capacity to support sustained business growth with locally based supply chain solutions to mitigate risk and provide optimal logistic and supply options.

Biologic development services

This segment provides comprehensive services in five key categories, namely, antibody drug discovery, antibody drug pre-clinical development, antibody drug clinical development, plasmid & virus pre-clinical development, and plasmid & virus clinical development. These services and associated products help biopharmaceutical and biotech companies accelerate the development of therapeutic antibodies and plasmid and viral vectors for gene or cell therapy products with an integrated platform from the very beginning of drug discovery stage to pre-clinical and clinical development stage.

Results

During the Reporting Period, revenue from biologics development services was approximately US$125.0 million, representing an increase of 53.6% as compared with approximately US$81.4 million for the year ended December 31, 2021. The backlog increased to US$233.3 million as at December 31, 2022, with a growth at 18.2%. The adjusted gross profit was approximately US$42.8 million, representing an increase of 54.5% as compared with approximately US$27.7 million for the year ended December 31, 2021. Adjusted gross profit margin kept stable in the two years. The adjusted operating loss of biologics development services was approximately US$1.1 million.

The growth of revenue and adjusted gross profit was mainly attributable to the (i) increase in the number of projects from protein and antibody drug development, and plasmid, (ii) expanded capacity and increased capacity utilization rate in process development and manufacturing, and (iii) continuously shortened delivery timeline.

Development strategies

The Company intends to (i) launch new facilities to expand services to late-stage development and commercial manufacturing of biologics and critical materials for GCT, (ii) build up global manufacturing capacity to support business growth with regionally based supply chain and logistic solutions, (iii) deepen business collaboration and global marketing strategy, and (v) further investment in platforms upgrade and quality improvement.

Industrial synthetic biology products

This segment leverages our technical experience in protein engineering and synthetic biology to construct production strains using GRAS ("**Generally Recognized as Safe**") microorganism strains to produce high-quality industrial enzymes that can be used in a variety of industries, such as the food processing, feed, pharmaceutical, and chemical industries. Synthetic fine biology technology has also brought a series of innovative breakthroughs in producing synthetic fine chemical products for pharmaceutical and other uses.

Results

During the Reporting Period, revenue from industrial synthetic biology products was approximately US$38.7 million. The adjusted gross profit was approximately US$16.6 million, representing an increase of 46.9% as compared with approximately US$11.3 million for the year ended December 31, 2021. Adjusted gross profit margin increased from 29.3% for the same period in 2021 to 42.9% this Reporting Period. The adjusted operating profit of industrial synthetic biology products was approximately US$2.9 million whilst it just arrived operating break-even for the same period in 2021.

The increase in both adjusted gross profit and adjusted operating profit was primarily attributable to the (i) adjustment of product portfolio and enhancement of the promotion of high-margin products, together with active pruning of low or negative profit products, (ii) upgrade of the workflow and improvement of production process, and (iii) profit from the license of certain patents.

Development strategies

The Company intends to be a leading synthetic biology company. The Company intends to (i) drive business growth and profit improvement by taking advantage of our competency in strain optimization and protein engineering, (ii) strengthen commercial capability to increase market share with focus on key accounts and overseas markets, and (iii) leverage our R&D competency to deliver more innovation in new synthetic biology application areas.

Management's Discussion and Analysis

Cell therapy

This segment was initiated from GenScript's proprietary antibody development platform, and is primarily conducted through Legend Biotech and its subsidiaries (the "**Legend Group**"). With the strength in the optimization of CAR structures and the development of multi- specific antibodies, the Legend Group is engaged in the discovery and development of novel cell therapies for oncology and other indications, including with the application of its proprietary technologies for CAR-T, and allogeneic cell therapies. Based on its fully-integrated and global cell therapy capabilities, the Legend Group is developing a variety of product candidates for the treatment of hematologic malignancies, solid tumor and infectious disease, among which the B-cell maturation antigen ("**BCMA**") CAR-T program is the most mature one, for which the Legend Group has entered into a worldwide collaboration with Janssen to jointly develop and commercialize ciltacabtagene autoleucel (cilta-cel) for the treatment of MM.

On February 28, 2022, the FDA approved cilta-cel under the trademark CARVYKTI for the treatment of adults with relapsed or refractory MM who have received four or more prior lines of therapy, including a proteasome inhibitor, an immunomodulatory agent and an anti-CD38 monoclonal antibody. Please refer to the announcement of the Company dated March 1, 2022 for details.

In May 2022, the European Commission granted conditional marketing authorization of cilta-cel under the trademark CARVYKTI for the treatment of adults with relapsed or refractory MM who have received at least three prior therapies, including a proteasome inhibitor, an immunomodulatory agent and an anti-CD38 antibody, and have demonstrated disease progression on the last therapy. Please see the announcement of the Company dated May 26, 2022 for details.

In September 2022, the Ministry of Health, Labour and Welfare of Japan approved cilta-cel under the trademark CARVYKTI for the treatment of adults with relapsed or refractory MM with no history of CAR-positive T cell infusion therapy targeting BCMA and have previously received three or more lines of therapy, including an immunomodulatory agent, a proteasome inhibitor and an anti-CD38 monoclonal antibody, and in whom multiple myeloma has not responded to or relapsed following the most recent therapy. Please refer to the announcement of the Company dated September 28, 2022.

In December 2022, the Centre for Drug Evaluation ("**CDE**") of National Medical Products Administration of China ("**NMPA**") has formally accepted Legend Biotech's New Drug Application for cilta-cel. Please refer to the announcement of the Company dated January 2, 2023.

Results

During the Reporting Period, revenue from cell therapy segment was approximately US$117.0 million, representing an increase of 70.0% compared to approximately US$68.8 million for the year ended December 31, 2021. The increase in revenue was primarily attributed to the collaboration revenue involving the commercial launch of CARVYKTI in the U.S. On February 28, 2022 the FDA approved CARVYKTI for adults with relapsed or refractory patients with MM who have received four or more prior lines of therapy. CARVYKTI has received conditional marketing authorizations from European Commission in May 2022 and approval from Japan's Ministry of Health, Labour and Welfare for the treatment of adults with relapsed or refractory multiple myeloma limited to cases meeting certain conditions in September 2022.

Management's Discussion and Analysis

During the Reporting Period, the operating loss was approximately US$458.1 million whilst the operating loss for the same period in 2021 was approximately US$394.0 million. The continued investment in research and development costs of approximately US$335.6 million during the Reporting Period compared to approximately US$313.3 million for the same period in 2021 is the primary driver of the operational expenditures as Legend focused on investment in early lines of therapy for cita-cel as well as progressing Legend's pipeline. Additionally, incurred approximately US$93.4 million in selling and distribution expenses and approximately US$80.6 million in administrative expenses during the Reporting Period compared to approximately US$102.5 million and approximately US$47.0 million, respectively, for the same period in 2021. Also, incurred approximately US$65.4 million during the Reporting Period towards cost of collaboration revenue to support the commercial supply of CARVYKTI.

Development strategies

A key element of Legend's strategy is to use its expertise in tumor biology and cell programming and its proprietary and modular cell programming technologies to develop what Legend believes are safer and more effective CAR-T and CAR-NK cell therapies. Legend's focus is on the development of a pipeline of cell therapy product candidates for the treatment of cancers and the progression of these product candidates through clinical development. In addition to developing additional product candidates, Legend intends to develop platform technologies, including manufacturing technologies, armoring strategies and next-generation CAR product candidates.

In addition to cilta-cel, Legend has a broad portfolio of earlier-stage autologous CAR-T product candidates targeting various cancers, including non-Hodgkin lymphoma (NHL), acute lymphoblastic leukemia (ALL), gastric cancer, esophageal cancer, pancreatic cancer, colorectal cancer, hepatocellular carcinoma, small cell lung cancer, and non-small cell lung cancer. Legend is also developing an allogeneic gamma delta CAR-T product candidate targeting BCMA for MM, which is currently in an investigator-initiated Phase 1 clinical trial in China. Additionally, Legend is developing allogeneic CAR-NK product candidates targeting BCMA and allogeneic gamma delta CAR-T product candidates targeting CLL1/CD33 for acute myeloid leukemia (AML) that are in preclinical development. There is no assurance that these or any other future clinical trials of our product candidates will be successful or will generate positive clinical data, and Legend may not receive marketing approval from the FDA or other regulatory agencies, for any of its product candidates.

Legend is currently evaluating its product candidates in investigator-initiated clinical trials. Part of Legend's strategy is to continue to explore new opportunities for cell therapy in investigator-initiated clinical trials in China, where such trials are initiated and conducted under the oversight of the China National Health Commission as a medical practice technology. Legend utilizes its deep relationships with thought leaders in China to conduct proof-of-concept studies, from which Legend believes it can more efficiently inform the design of Legend's clinical development programs and potentially mitigate certain clinical development risks. While Legend has encountered legal and regulatory challenges in transferring clinical data from China to other jurisdictions, Legend continues to believe that this approach is beneficial. Through initially testing product candidates in humans in investigator- initiated trials in China, Legend can assess the therapeutic potential of and improve individual product candidates in an efficient and cost-effective manner, which allows us to identify promising product candidates and advance them into registrational clinical trials across China, the U.S., Europe and Japan.

Legend is one of the advanced companies in developing CAR-T cell therapies in China, having received clearance for the first CAR-T cell therapy IND application by the NMPA. Legend is also one of the firsts to conduct a registrational CAR-T clinical trial in China. Legend has built a strong research team of over 305 researchers who identify potential cellular targets and create and assess a broad portfolio of product candidates. Establishing this expertise has attracted investigators and partners within China.

Management's Discussion and Analysis

FINANCIAL REVIEW

	2022 US$'000	2021 US$'000	Change US$'000
Revenue	**625,698**	490,096	135,602
Gross profit	**304,083**	282,518	21,565
Loss after income tax	**(427,971)**	(518,327)	90,356
Adjusted net loss	**(359,416)**	(327,826)	(31,590)
Loss attributable to owners of the Company	**(226,851)**	(358,712)	131,861
Adjusted net loss attributable to owners of the Company	**(167,786)**	(181,007)	13,221
Loss per share *(US cent)*	**(10.82)**	(17.67)	6.85
Adjusted profit and expenses:			
Gross profit	**316,477**	287,362	29,115
Selling and distribution expenses	**159,846**	162,150	(2,304)
Administrative expenses	**154,844**	115,443	39,401
Research and development expenses	**367,966**	343,306	24,660

Revenue

In 2022, the Group recorded revenue of approximately US$625.7 million, representing an increase of 27.7% from approximately US$490.1 million in 2021. This was primarily attributable to (i) the stable market share growth and brand awareness of non-cell therapy business with new competitive services and products, especially in biologics development services, and (ii) the product sales of CARVYKTI after the commercialization approval from the FDA.

Gross Profit

In 2022, the Group's gross profit increased by 7.6% to approximately US$304.1 million from approximately US$282.5 million in 2021. The increase in gross profit was primarily attributable to the expansion of the revenue, and was partially offset by (i) the increased share-based compensation expenses in production teams, particularly in biologics development services, (ii) the adjustment of product and service portfolio, and (iii) the increased shipping cost. The adjusted gross profit increased by 10.1% over the same period in 2021.

Selling and Distribution Expenses

The selling and distribution expenses was approximately US$168.3 million in 2022, roughly unchanged over the same period in 2021.

Administrative Expenses

The administrative expenses increased by 35.7% to approximately US$182.5 million in 2022 from approximately US$134.5 million in 2021. This was mainly caused by (i) the increased investment on talent with recruiting experienced personnel with competitive package and share-based compensation expenses for all business segments, (ii) the reinforcement of some key administrative functions and information technology infrastructure to support the Group's overall business, and (iii) the enhanced corporate governance and compliance measures. The adjusted administrative expenses increased by 34.1% over the same period in 2021.

Research and Development Expenses

The research and development expenses increased by 8.8% to approximately US$390.1 million in 2022 from approximately US$358.4 million in 2021. This was mainly due to the continued investment in talents with competitive package and share-based compensation expenses. The adjusted research and development expenses increased by 7.2% over the same period in 2021.

Fair Value Gains or Loss of Preferred Shares and Warrants

On May 13, 2021, Legend entered into a subscription agreement with an investor relating to (i) the offer and sale of 20,809,850 ordinary shares of Legend in a private placement at a purchase price of US$14.41625 per ordinary share of Legend (the "**Legend Offering**"), and (ii) the issuing of a warrant exercisable for up to an aggregate of 10,000,000 ordinary shares of Legend (the "**Legend Warrant**", together with the Legend Offering, the "**Legend Subscription**") at an aggregate consideration of US$300.0 million. The completion of the Legend Subscription took place on May 21, 2021 (the "**Legend Closing Date**"). The Legend Warrant will be exercisable, in whole or in part, at an exercise price of US$20.0 per ordinary share of Legend. The Legend Warrant is exercisable after the Legend Closing Date and prior to the two-year anniversary of the Legend Closing Date. Please refer to the announcements of the Company dated May 14, 2021 and May 23, 2021 for details.

On August 18, 2021, Probio Technology Limited ("**Probio Cayman**"), an indirectly owned subsidiary of the Company, entered into a purchase agreement with certain investors, whereby Probio Cayman agreed to sell 300,000,000 shares of series A preferred shares of Probio Cayman (the "**Probio Series A Preferred Shares**") and a warrant exercisable for up to an aggregate of 189,393,939 ordinary shares of Probio Cayman (the "**Probio Warrant**", and collectively the "**Probio Cayman Purchase**"). The total proceeds from the Probio Cayman Purchase is US$150.0 million. Pursuant to the purchase agreement, Probio Cayman issued the Probio Warrant to the investors to purchase the ordinary shares of Probio Cayman at a certain price per share for up to an aggregate amount of US$125.0 million. Please refer to the announcements of the Company dated May 14, 2021, June 7, 2021, August 19, 2021 and September 5, 2021 for details.

The Probio Series A Preferred Shares, the Probio Warrant and the Legend Warrant are accounted for as financial liabilities measured at fair value with changes through profit or loss in accordance with relevant HKFRSs.

As at December 31, 2022, the fair value of the Probio Series A Preferred Shares and Probio Warrant were assessed at approximately US$285.4 million and the fair value of the Legend Warrant was assessed at approximately US$67.0 million. The total fair value gains of approximately US$18.8 million were recorded during the Reporting Period due to the changes in fair value of these financial liabilities.

Financial Liabilities at Amortised Cost

On July 2, 2022, Probio Cayman entered into a subscription agreement with an investor, pursuant to which Probio Cayman issued and sold and the investor purchased 57,314,000 series B preferred shares of Probio Cayman (the "**Probio Series B Shares**") at an aggregate consideration of approximately US$37.3 million. The completion of the Probio Series B Financing took place on July 6, 2022. Please refer to the announcements of the Company dated July 4, 2022 and July 6, 2022 for details.

The Probio Series B Preferred Shares is accounted for as financial liabilities at amortised cost for liability component and other reserves for equity component.

As at December 31, 2022, the financial liabilities at amortised cost of the Probio Series B Preferred Shares were assessed at approximately US$36.8 million with interest expenses assessed at approximately US$1.1 million and the equity components in other reserves were assessed at approximately US$1.6 million.

Income Tax Credit/(Expense)

The income tax credit was approximately US$3.7 million in 2022 whilst the income tax expense was approximately US$1.0 million in 2021.

Net Loss

During the Reporting Period, net loss of the Group was approximately US$428.0 million, whilst the net loss for the same period in 2021 was approximately US$518.3 million. The adjusted net loss of the Group was approximately US$359.4 million.

Trade Receivables

	2022	2021
Trade receivables turnover days	72	70

The slight increase of trade receivables turnover days of the Group was mainly caused by the revenue growth, especially the booming of biologics development services.

Inventories

	2022	2021
Inventory turnover days	71	73

The slight decrease of inventory turnover days of the Group was mainly caused by the improvement on the management of inventory safety stock and the cessation of the isolation and quarantine arrangement for COVID-19 in late 2022 in the PRC.

Contract Costs

The contract costs mainly include the costs to fulfill contracts under biologics development services and life-science services. As at December 31, 2022, the Group's contract costs amounted to approximately US$16.5 million, representing an increase of 85.4% from approximately US$8.9 million as at December 31, 2021, the increase was mainly derived from the increase of orders received under biologics development services and contracts under certain life-science service lines.

Property, Plant and Equipment

Property, plant and equipment include buildings, machinery equipment and construction in progress. As at December 31, 2022, the property, plant and equipment of the Group amounted to approximately US$521.6 million, representing an increase of 31.5% from approximately US$396.7 million as at December 31, 2021. This was mainly due to the facility constructions and the acquisition of equipment and properties to support the business expansion.

Goodwill

For the year ended December 31, 2022, due to the change of market condition for certain chip-based products and the Group's pricing strategy for certain chip-synthesised DNA products, an impairment of approximately US$11.5 million has been provided for the goodwill generated from the acquisition of a subsidiary which was completed in 2018.

Intangible Assets

Intangible assets include software, patents and licenses. As at December 31, 2022, the Group's net intangible assets amounted to approximately US$23.8 million, representing a decrease of 9.8% from approximately US$26.4 million as at December 31, 2021. The decrease was mainly due to the amortization of existing assets, offset by the newly purchased software and licenses.

Right-of-use Assets

Right-of-use assets mainly include leasehold land, buildings, office premises and share of collaboration assets. As at December 31, 2022, the Group's right-of-use assets amounted to approximately US$103.1 million, representing an increase of 14.3% from approximately US$90.2 million as at December 31, 2021. The increase was mainly due to the newly rented leasehold buildings.

Working Capital and Financial Resources

As at December 31, 2022, the cash and cash equivalents of the Group amounted to approximately US$1.0 billion (2021: approximately US$1.2 billion). As at December 31, 2022, the restricted cash of the Group amounted to approximately US$27.2 million (2021: approximately US$1.4 million). The increase of restricted cash was mainly caused by the issuance of bills payable.

As at December 31, 2022, the Group had available unutilized bank facilities of approximately US$146.9 million (2021: approximately US$145.5 million).

Cash Flow Analysis

During the Reporting Period, the annual cash outflow used in operating activities of the Group was approximately US$120.3 million.

During the Reporting Period, the annual cash outflow used in investing activities of the Group was approximately US$443.3 million. This was mainly due to (i) cash paid for the purchases of property, plant and equipment, other intangible assets and collaboration assets in the amount of approximately US$218.4 million, (ii) net cash paid for the financial assets in the amount of approximately US$186.5 million, and (iii) the purchase of time deposits in the amount of approximately US$32.3 million.

During the Reporting Period, the annual cash inflow generated from financing activities of the Group was approximately US$419.3 million. This was mainly due to (i) proceeds from issuance of ordinary shares for Follow-on Public Offering of Legend (as defined below) in the amount of approximately US$377.6 million, net of issuance cost, (ii) proceeds from exercise of share options by employees in the amount of approximately US$8.4 million, (iii) net cash received from bank loans in the amount of approximately US$32.6 million, (iv) proceeds from issuance of certain shares relating to private placement for institutional investors in the amount of approximately US$37.3 million, (v) the principle portion of lease payments in the amount of approximately US$6.9 million, (vi) cash pledged for the issuance of bill payables increased in the amount of approximately US$20.9 million, and (vii) the purchases of non-controlling interests of the subsidiary in the amount of approximately US$12.6 million.

Management's Discussion and Analysis

Capital Expenditure and Capital Commitment

During the Reporting Period, the expenditure of purchasing intangible assets, namely software, patents and license, was approximately US$2.3 million, the prepayment to collaborator for collaboration right-of-use assets was approximately US$14.8 million, and the expenditure of constructing and purchasing property, plant and equipment amounted to approximately US$201.3 million.

Significant Investments Held, Material Acquisitions and Disposals

Significant investment held

As at December 31, 2022, significant investments held by the Group are as follows:

	December 31,	
	2022	2021
	US$'000	US$'000
Financial assets at fair value through profit or loss		
— Current	**210,819**	2,208
— Non-current	**11,657**	10,444
Financial assets at amortised cost		
— Current	**–**	29,937
Total	**222,476**	42,589

The current part of financial assets at fair value through profit or loss represent investments in wealth management products issued by banks in China and the U.S..

The wealth management products which we purchased during the Reporting Period, mainly including the money market funds, were with floating interests ranging from 0.03% to 4.26% per annum and with maturity dates between 1 day and 365 days. These products did not guarantee the return of principals upon maturity, and none of them was past due or impaired as of December 31, 2022. As at December 31, 2022, the Group has redeemed those wealth management products at maturation and has no intention to dispose the investments in the long term.

As part of our treasury management plan, we have purchased wealth management products as an auxiliary means to improve utilization of our cash on hand on a short-term basis. We have made such purchases only when (i) we have surplus funds after we have fully considered the cash requirement of our operations for the year and allocated accordingly, and (ii) our management has carefully assessed the risks and benefits and decided to make such purchases (including, among others, the availability of certain wealth management products which have high liquidity and generate interest income meeting our standards).

All investments were made in low-risk, liquid and sound wealth management products, such as capital preservation products, fixed-income products, trust products with agreed yield expectations and adequate safeguards, and trust products backed by highly liquid collaterals.

Management's Discussion and Analysis

Any purchase and redemption of our investments in wealth management products shall be reviewed and approved by chief financial officer of the Group or its subsidiaries.

During the Reporting Period, we had only invested in wealth management products issued by major reputable banks in China and the U.S., and we preserved all our invested capital in these products and did not encounter any default by the issuing banks. We had not invested, and are prohibited, under our internal control policies, from directly investing in any listed financial product, and our investments had not been pledged to secure our borrowings for the year ended December 31, 2022.

Information in relation to the current part of financial assets at fair value through profit or loss as at December 31, 2022 are set out as follows:

	Banks	Product type/description	Investment cost Original amount In RMB or US$	In US $' 000	Fair value as of December 31, 2022 In US$'000	Purchase date (Month/Day/Year)	Maturity date	Redemption date
1.	Bank of China	Non-guaranteed floating-income product	RMB30,000,000	4,307	4,482	7/13/2022	Not applicable	On call
2.	Bank of China	Non-guaranteed floating-income product	RMB60,000,000	8,615	8,657	10/17/2022	Not applicable	On call
3.	Bank of China	Non-guaranteed floating-income product	RMB44,000,000	6,318	6,326	12/15/2022	9/13/2023	Not applicable
4.	Bank of China	Non-guaranteed floating-income product	RMB40,000,000	5,743	5,751	12/15/2022	6/13/2023	Not applicable
5.	JPMorgan Chase & Co.	Money Market Fund	US$60,000,000	60,000	60,197	07/15/2022	Not applicable	On call
6.	JPMorgan Chase & Co.	Money Market Fund	US$62,000,000	62,000	62,197	10/14/2022	Not applicable	On call
7.	JPMorgan Chase & Co.	Money Market Fund	US$63,000,000	63,000	63,209	10/14/2022	Not applicable	On call
	Total:			209,983	210,819			

Performance and prospects of the financial assets at fair value through profit or loss — JPMorgan U.S. Government Money Market Fund ("**Fund 1**"), JPMorgan 100% U.S. Treasury Securities Money Market Fund ("**Fund 2**"), JPMorgan U.S. Treasury Plus Money Market Fund ("**Fund 3**")

As at December 31, 2022, Legend Group invested US$60.0 million in Fund 1, whose ratings are AAAm (S&P), Aaa-mf (Moody's) and AAAmmf (Fitch), US$62.0 million in Fund 2 and US$63.0 million in Fund 3, ratings of both of which are AAAm (S&P) and Aaa-mf (Moody's), respectively.

According to information from JPMorgan Chase & Co., the Fund 1 seeks high current income with liquidity and stability of principal. It invests exclusively in high-quality, short-term securities that are issued or guaranteed by the U.S. government or by U.S. government agencies and instrumentalities. The Fund 1 will comply with the SEC rules applicable to all money market funds, including Rule 2a-7 under the Investment Company Act of 1940.

According to information from JPMorgan Chase & Co., the Fund 2 aims to provide the highest possible level of current income while still maintaining liquidity and providing maximum safety of principal. It invests solely in debt securities of the U.S. Treasury, including Treasury bills, bonds and notes carrying different interest rates, maturities and issue dates. The interest on these securities is generally exempt from state and local income taxes. The Fund 2 is a money market fund managed to meet the requirements of Rule 2a-7 under the Investment Company Act of 1940.

Management's Discussion and Analysis

According to information from JPMorgan Chase & Co., the Fund 3 seeks current income with liquidity and stability of principal. It invests exclusively in U.S. Treasury bills, notes and other obligations issued or guaranteed by the U.S. Treasury, and repurchase agreements collateralized by such obligations. The Fund 3 will comply with the SEC rules applicable to all money market funds, including Rule 2a-7 under the Investment Company Act of 1940.

These three funds seek to maintain a net asset value of $1.00 per share and offers daily liquidity, and the average yields float with the Fed rate hikes throughout 2022. The dividend accrued for the previous month is paid to Legend's account on the first working day of the next month.

Information in relation to the non-current part of financial assets at fair value through profit or loss as at December 31, 2022 are set out as follows:

Name of investee company/fund	Principal business or investment scope	Nature of investment	Number of shares/units/ amount of investments held	Percentage of total share capital/units owned by the Group as at December 31, 2022	Investment Cost	Fail value as at December 31, 2022	Percentage to the Group's total assets as at December 31, 2022	Unrealised gain/ (loss) on change in fair value for the year ended December 31, 2022	Dividends received for the year ended December 31, 2022
				%	US$'000	US$'000	%	US$'000	US$'000
Yuanming Prudence SPC — Healthcare Fund I Segregated Portfolio	Equity investment	Investment in fund/securities	486.43	0.28	500	364	0.01	(50)	14
Panacea Venture Healthcare Fund I, L.P.	Equity investment	Investment in fund/securities	Not applicable	5.54	8,628	8,727	0.34	(1,879)	—
Shenzhen Emma Biotechnology Co., Ltd.	Equity investment	Investment in corporation	Not applicable	3.96	1,237	1,756	0.07	520	—
AffyXell Therapeutics Co., Ltd.	Equity investment	Investment in corporation	113,637	1.22	810	810	0.03	—	—
Total:					11,175	11,657	0.45	(1,409)	14

(Note) Given the value of investments is immaterial and does not constitute a notifiable transaction of the Company pursuant to Chapter 14 of the Listing Rules, as the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules), whether on a standalone or aggregate basis, are less than 1.0% of the total assets of the Group as of December 31, 2022, the Company has not prepared any analysis on their prospects.

During the Reporting Period, we recorded the investment gain on the financial assets at fair value through profit or loss of US$1.8 million and a fair value loss at US$0.6 million.

Acquisition of properties in Zhenjiang

On June 27, 2022, Jiangsu GenScript Biotech Co., Ltd.* (江蘇金斯瑞生物科技有限公司) ("**GenScript Jiangsu**"), an indirect wholly-owned subsidiary of the Company, Jiangsu GenScript ProBio Biotech Co., Ltd* (江蘇金斯瑞蓬勃生物科技有限公司) ("**Probio Jiangsu**"), an indirect non-wholly-owned subsidiary of the Company, and two sellers entered into the properties purchase agreements, pursuant to which the sellers sold and GenScript Jiangsu and Probio Jiangsu acquired eight buildings from the relevant sellers. All eight buildings are situated at the Science Technology Park Development Zone, Zhenjiang, Jiangsu Province, the PRC. Please refer to the announcement of the Company dated June 29, 2022 for details.

Deemed disposal of equity interest in Probio Cayman

On July 2, 2022, Probio Cayman entered into a subscription agreement with an investor, pursuant to which Probio Cayman issued and sold and the investor purchased 57,314,000 series B preferred shares of Probio Cayman (the "**Probio Series B Preferred Shares**") at an aggregate consideration of approximately US$37.3 million ("**Probio Series B Financing**"). The completion of the Probio Series B Financing took place on July 6, 2022. Please refer to the announcements of the Company dated July 4, 2022 and July 6, 2022 for details.

As of the date of this report, Probio Cayman remains a non-wholly owned subsidiary of the Company and the financial results of Probio Cayman continues to be consolidated into the financial statements of the Group.

Legend's follow-on offering

On July 27, 2022, Legend Biotech entered into an underwriting agreement with underwriters in relation a follow-on public offering of 8,140,000 American Depositary Shares ("**ADSs**"), with the additional 1,221,000 ADSs purchased by the underwriters by exercising their options, at a price to the public of US$43.00 per ADS and each ADS represented two ordinary shares of Legend Biotech (the "**Follow-on Public Offering**"). On July 29, 2022, the Follow-on Public Offering was closed. Please refer to announcements of the Company dated July 26, 2022, July 27, 2022, July 28, 2022 and July 31, 2022 for details.

As of the date of this report, Legend remains a non-wholly owned subsidiary of the Company and the financial results of Legend continues to be consolidated into the financial statements of the Group.

Save as disclosed above, the Group did not have any other significant investment held, material acquisitions or disposals of subsidiaries and associated companies during the Reporting Period.

Bank Loans and Other Borrowings

As at December 31, 2022, GenScript Japan Inc. ("**GS JP**") had a long-term interest-bearing loan from Mizuho Bank for a total amount of JPY70.0 million (equivalent to approximately US$525,000) with a floating interest rate at the TIBOR (Tokyo Interbank Offered Rate) rate plus 0.25%, which was secured by the buildings and freehold land held by GS JP. GS JP used such a loan to purchase the building.

As at December 31, 2022, Nanjing GenScript Biotech Co., Ltd. ("**GS China**") had short-term interest-bearing loans from Citibank China for a total amount of RMB86.0 million (equivalent to approximately US$12.3 million) with fixed interest rates at 2.5% and 2.6%, respectively. GS China used such loans for daily operation.

Management's Discussion and Analysis

As at December 31, 2022, GS China had a short-term interest-bearing loan from China Merchants Bank for discounting notes for a total amount of approximately RMB26.3 million (equivalent to approximately US$3.8 million) with a fixed interest rate at 1.4%. GS China used such a loan for daily operation.

As at December 31, 2022, Nanjing Probio Biotech Co., Ltd. ("**Probio Nanjing**") had a short-term interest-bearing loan from China Citic Bank for discounting notes for a total amount of approximately RMB119.1 million (equivalent to approximately US$17.1 million) with a fixed interest rate at 1.3%. Probio Nanjing used such a loan for daily operation.

As at December 31, 2022, Legend took funding advances with principal amounted to US$250.0 million with a collaborator. Pursuant to the license and collaboration agreement entered into with the collaborator, Legend is entitled to receive funding advances from the collaborator when certain operational conditions are met. As a result, Legend took an initial funding advance amounting to US$17.3 million on June 18, 2021, second amounting to US$53.1 million on September 17, 2021, third amounting to US$49.3 million on December 17, 2021, fourth amounting to US$5.3 million on March 18, 2022 fifth amounting to US$60.9 million on June 17, 2022, sixth amounting to US$60.5 million on September 16, 2022, and seventh amounting to US$3.6 million on December 16, 2022, by reducing the same amount of other payables due to the collaborator (collectively, the "**Funding Advances**"). As at December 31, 2022, Legend recorded interest payables of US$10.9 million for the Funding Advances.

These Funding Advances are accounted for as interest-bearing borrowings funded by the collaborator, constituted by a principal and applicable interests upon such principal. The respective interest rate of each borrowing is based on the average annual LIBOR (London Interbank Offered Rate) for U.S. dollars as reported in the Wall Street Journal on the due date, plus 2.5%, calculated on the number of days from the date on which Legend applied such borrowings.

Pursuant to the terms of the license and collaboration agreement, the collaborator may recoup the aggregate amount of Funding Advances together with interest thereon from Legend's share of pre-tax profits for the first profitable year of the collaboration program. The Company's management estimated the borrowings will not be recouped by the collaborator within one year, and thus the borrowings was classified as a long-term liability.

Save as disclosed above, the Group did not have any other outstanding, unpaid bank loans and/or other borrowings.

Provision, Contingent Liabilities and Guarantees

The Group did not have any material provision, contingent liabilities or guarantees as at December 31, 2022.

No Material Adverse Change

The Directors confirm that there has been no material adverse change in the financial or trading position of the Group since December 31, 2022 and up to the date of this report.

Charges on Group Assets

As at December 31, 2022, the building and freehold land located in Tokyo, Japan of approximately JPY1.2 billion (equivalent to approximately US$9.0 million) was pledged by GS JP to secure a loan of JPY70.0 million (equivalent to approximately US$525,000).

As at December 31, 2022, bank balances of approximately US$1.7 million were pledged for credit cards' facilities, of approximately US$20.9 million were pledged for bills payable, and of approximately US$4.6 million were pledged for the letters of guarantee to suppliers.

As at December 31, 2022, the properties acquired GenScript Jiangsu and Probio Jiangsu was approximately RMB242.9 million (equivalent to approximately US$34.9 million) were pledged to an affiliate of the Series B Investor (as defined in the announcement of the Company dated July 4, 2022) so as to secure the performance of the redemption obligation of the Company and Probio Cayman. Please refer to the announcements of the Company dated June 29, 2022 and July 4, 2022 for details.

Save as disclosed above, the Group did not have any other material charges over its assets as at December 31, 2022.

Current Ratio and Gearing Ratio

As at December 31, 2022, the Group's current ratio (current assets to current liabilities) was approximately 3.2 (as at December 31, 2021: 4.0); and gearing ratio (total liabilities to total assets) was approximately 46.5% (as at December 31, 2021: 37.9%).

RESTATEMENT OF PREVIOUSLY ISSUED UNAUDITED CONSOLIDATED INTERIM RESULTS

As disclosed in note 2.2 to the Company's financial statements, the Company restated the previously issued consolidated financial statements resulting from the restatement of Legend's financial statements, including the Group's consolidated statements of financial position at December 31, 2021 and January 1, 2021, the Group's consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the fiscal year ended December 31, 2021. Please refer to note 2.2 to the Company's financial statements "Restatement of previously issued consolidated financial statements" for details.

In connection with the Legend's restatement, the Group also restated its previously issued unaudited consolidated interim results as at June 30, 2022 and for the six months then ended, which was affected by the matters disclosed in note 2.2 to the Company's financial statements and below in relation to the collaboration and license agreement signed by Legend with Janssen Biotech, Inc. ("**Janssen**") for the worldwide development and commercialization of cilta-cel (the "**Janssen Agreement**").

Revenue Recognition Adjustments

Legend has revised its accounting treatment for the collaboration revenue from the profit sharing with Janssen on sales of CARVYKTI ("**Collaboration Revenue**") and the collaboration costs for the revenue ("**Collaboration Cost of Revenue**") in accordance with HKFRS 15.

Legend and Janssen share equally profits on sales of CARVYKTI in all areas other than the Greater China, where Legend retains or bears 70.0% of pre-tax profits or losses. In all areas other than Greater China, as Janssen is the principal in the sale transaction with the customer, Legend recognises a pro-rata share of collaboration net trade sales in the period Janssen completes the sale and delivers the product to the customer. Legend's share of collaboration net trade sales in all areas other than Greater China are recognised as Collaboration Revenue, which was recognized within license and collaboration revenue on the Group's consolidated statement of profit or loss.

Collaboration Cost of Revenue relates to the sale of CARVYKTI and includes costs incurred by Legend as well as Legend's pro-rata share of Collaboration Cost of Revenue. Collaboration Cost of Revenue includes the cost of inventory sold, manufacturing costs, other costs attributable to production, and provisions to write down inventory, such as for excess and obsolete inventory or inventory that did not meet quality specifications. Collaboration Cost of Revenue was presented in the Group's cost of sales on the consolidated statement of profit or loss.

Collaboration Assets Adjustments

Legend identified and corrected certain errors in the amounts reported as collaboration inventory, which was included in the inventories on the Group's consolidated statement of financial position. Legend has revised its accounting treatment to include within collaboration inventory the inventory costs incurred by Legend measured at the lower of its cost and the collaboration inventory's net realizable value. The Group records within prepayments, other receivables and other assets the amount it is entitled to be reimbursed from its collaboration partner for inventory costs incurred.

Legend also revised its accounting treatment to record lease arrangements in accordance with HKFRS 16. For lease agreements Legend entered into on behalf of the collaboration, Legend recognises the full lease liability, rather than its share, because Legend has the primary responsibility for making the lease payments. Legend records a finance sublease for the related right-of-use assets it subleases to the collaboration.

Legend also made reclassification adjustments in relation with its revised accounting treatments for the Collaboration Assets mentioned above.

The tables below present the impact of the Group's unaudited consolidated statements of financial position at June 30, 2022, unaudited consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six months ended June 30, 2022.

Unaudited consolidated statement of profit or loss for the six months ended June 30, 2022

	For the six months ended June 30, 2022					
		Adjustments by category				
	As previously reported US$'000	Revenue recognition US$'000	Collaboration assets US$'000	Tax impacts US$'000	Total adjustments US$'000	As restated US$'000
REVENUE	304,677	4,912	—	—	4,912	309,589
Cost of sales	(129,154)	(11,937)	—	—	(11,937)	(141,091)
Gross profit	175,523	(7,025)	—	—	(7,025)	168,498
Other income and gains	9,840	—	10	—	10	9,850
Selling and distribution expenses	(86,942)	—	—	—	—	(86,942)
Administrative expenses	(79,640)	—	—	(8)	(8)	(79,648)
Research and development expenses	(177,360)	—	(246)	—	(246)	(177,606)
Fair value losses of preferred share and warrants	(45,824)	—	—	—	—	(45,824)
Other expenses	(13,256)	—	(10)	—	(10)	(13,266)
Finance costs	(3,234)	—	(69)	—	(69)	(3,303)
Provision for impairment of financial assets, net	(1,535)	—	—	—	—	(1,535)
LOSS BEFORE TAX	(222,428)	(7,025)	(315)	(8)	(7,348)	(229,776)
Income tax (expense)/credit	(3,501)	—	—	(312)	(312)	(3,813)
LOSS FOR THE PERIOD	(225,929)	(7,025)	(315)	(320)	(7,660)	(233,589)
Attributable to:						
Owners of the parent	(131,202)				(4,305)	(135,507)
Non-controlling interests	(94,727)				(3,355)	(98,082)
	(225,929)				(7,660)	(233,589)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT						
Basic (US cent per share)	(6.28)				(0.20)	(6.48)
Diluted (US cent per share)	(6.28)				(0.20)	(6.48)

Management's Discussion and Analysis

Unaudited consolidated statement of comprehensive income for the six months ended June 30, 2022

	For the six months ended June 30, 2022					
		Adjustments by category				
	As previously reported	Revenue recognition	Collaboration assets	Tax impacts	Total adjustments	As restated
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
LOSS FOR THE PERIOD	(225,929)	(7,025)	(315)	(320)	(7,660)	(233,589)
OTHER COMPREHENSIVE INCOME						
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:						
Exchange differences:						
Exchange differences on translation of foreign operations	(20,111)				(4,470)	(24,581)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	(20,111)				(4,470)	(24,581)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(20,111)				(4,470)	(24,581)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(246,040)				(12,130)	(258,170)
Attributable to:						
Owners of the parent	(155,298)				(6,603)	(161,901)
Non-controlling interests	(90,742)				(5,527)	(96,269)
	(246,040)				(12,130)	(258,170)

Unaudited consolidated statements of financial position at June 30, 2022

	As at June 30, 2022					
		Adjustments by category				
	As previously reported	Revenue recognition	Collaboration assets	Tax impacts	Total adjustments	As restated
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
NON-CURRENT ASSETS						
Property, plant and equipment	493,445	—	(56,721)	—	(56,721)	436,724
Advance payments for property, plant and equipment	20,044	—	—	—	—	20,044
Investment properties	5,751	—	—	—	—	5,751
Right-of-use assets	55,284	—	30,737	—	30,737	86,021
Goodwill	14,076	—	—	—	—	14,076
Other intangible assets	25,465	—	(45)	—	(45)	25,420
Investments in associates	3,318	—	—	—	—	3,318
Financial assets at fair value through profit or loss	10,932	—	—	—	—	10,932
Deferred tax assets	6,335	—	—	—	—	6,335
Time deposits	4,470	—	—	—	—	4,470
Other non-current assets	7,364	—	27,206	—	27,206	34,570
Total non-current assets	646,484	—	1,177	—	1,177	647,661
CURRENT ASSETS						
Inventories	49,898	—	8,158	—	8,158	58,056
Contract costs	11,391	—	—	—	—	11,391
Trade and notes receivables	102,339	—	—	—	—	102,339
Prepayments, other receivables and other assets	75,044	—	(7,486)	1,004	(6,482)	68,562
Financial assets at fair value through profit or loss	15,083	—	—	—	—	15,083
Loans to associates	155	—	—	—	—	155
Restricted cash	3,320	—	—	—	—	3,320
Time deposits	458,334	—	—	—	—	458,334
Cash and cash equivalents	782,246	—	—	—	—	782,246
Total current assets	1,497,810	—	672	1,004	1,676	1,499,486

Management's Discussion and Analysis

Unaudited consolidated statements of financial position at June 30, 2022 (continued)

	As at June 30, 2022					
		Adjustments by category				
	As previously reported	Revenue recognition	Collaboration assets	Tax impacts	Total adjustments	As restated
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
CURRENT LIABILITIES						
Trade and bills payables	32,867	—	—	—	—	32,867
Other payables and accruals	211,420	—	150	—	150	211,570
Interest-bearing loans and other borrowings	6,697	—	—	—	—	6,697
Lease liabilities	7,388	—	433	—	433	7,821
Tax payable	5,039	—	—	9,283	9,283	14,322
Contract liabilities	100,994	(64,654)	—	—	(64,654)	36,340
Government grants	833	—	—	—	—	833
Financial liabilities at fair value through profit or loss	147,593	—	—	—	—	147,593
Total current liabilities	512,831	(64,654)	583	9,283	(54,788)	458,043
NET CURRENT ASSETS	984,979	64,654	89	(8,279)	56,464	1,041,443
TOTAL ASSETS LESS CURRENT LIABILITIES	1,631,463	64,654	1,266	(8,279)	57,641	1,689,104

Unaudited consolidated statements of financial position at June 30, 2022 (continued)

	As at June 30, 2022					
		Adjustments by category				
	As previously reported	Revenue recognition	Collaboration assets	Tax impacts	Total adjustments	As restated
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
NON-CURRENT LIABILITIES						
Interest-bearing loans and other borrowings	189,511	—	—	—	—	189,511
Lease liabilities	25,638	—	1,574	—	1,574	27,212
Contract liabilities	228,627	(226,541)	—	—	(226,541)	2,086
Deferred tax liabilities	9,941	—	—	—	—	9,941
Government grants	17,152	—	—	—	—	17,152
Financial liabilities at fair value through profit or loss	271,920	—	—	—	—	271,920
Other non-current liabilities	314	—	—	—	—	314
Total non-current liabilities	743,103	(226,541)	1,574	—	(224,967)	518,136
NET ASSETS	888,360	291,195	(308)	(8,279)	282,608	1,170,968
EQUITY						
Share capital	2,108				—	2,108
Treasury shares	(12,357)				—	(12,357)
Reserves	767,596				158,616	926,212
Equity attributable to owners of the parent	757,347				158,616	915,963
Non-controlling interests	131,013				123,992	255,005
TOTAL EQUITY	888,360				282,608	1,170,968

Management's Discussion and Analysis

Unaudited consolidated statements of equity movement for the six months ended June 30, 2022

	For the six months ended June 30, 2022		
	As previously reported	Total adjustments	As restated
	US$'000	US$'000	US$'000
Share capital	2,108	—	2,108
Treasury shares	(12,357)	—	(12,357)
Reserves	767,596	158,616	926,212
Equity attributable to owners of the parent	757,347	158,616	915,963
Non-controlling interests	131,013	123,992	255,005
TOTAL EQUITY	888,360	282,608	1,170,968

Unaudited consolidated statements of cash flows for the six months ended June 30, 2022

	For the six months ended June 30, 2022		
	As previously reported	Total adjustments	As restated
	US$'000	US$'000	US$'000
Net cash flows used in operating activities	(61,997)	—	(61,997)
Net cash flows used in investing activities	(336,872)	—	(336,872)
Net cash flows generated from financing activities	8,228	—	8,228
NET DECREASE IN CASH AND CASH EQUIVALENTS	(390,641)	—	(390,641)
Effect of foreign exchange rate changes, net	(8,084)	—	(8,084)
Cash and cash equivalents at beginning of the year	1,180,971	—	1,180,971
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	782,246	—	782,246

Future Plans for Material Investments or Capital Assets

The Group plans to actively build manufacturing capacity globally to satisfy the anticipated strong customer demand.

For life-science services and products, the Group plans to continue to invest and upgrade molecular biology and protein production capacity in China and overseas markets, as well as to expand Good Manufacturing Practice ("**GMP**") grade manufacturing capacity for peptide, oligo and other key reagents in the GCT supply chain.

For biologics development services, the Group plans to expand antibody discovery, process development and GMP manufacturing capacity in China, and build more GMP manufacturing facilities both in China and the U.S. for plasmid and virus production.

The Group also plans to invest to upgrade supply chain and IT infrastructures as well as other supporting functions to improve operating efficiency and accommodate the strong business growth.

Save as disclosed above, there was no other specific plan for material investments or capital assets as at December 31, 2022.

RISK MANAGEMENT

Foreign Exchange Risk

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the exchange rate between the U.S. dollar against RMB and Euro, respectively. Foreign exchange risk arises from mismatch of currencies we receive from customers and currencies we use to pay to our employees and suppliers, as well as foreign currencies held in certain overseas subsidiaries. The Group seeks to limit its exposure to foreign currency risk by closely monitoring and minimizing its net foreign currency position. Since January 2019, the Group has engaged in a series of forward contracts to manage the Group's currency risk.

The Group adopts a hedging policy to manage our exposure to foreign exchange risk in relation to RMB, aiming to control foreign exchange risk to an acceptable level by ensuring that we will only consider hedging operational flows. As at December 31, 2022, the Group had outstanding foreign currency forward contracts in respect of U.S. dollar against RMB of notional principal amounts of approximately US$22.0 million (as at December 31, 2021: approximately US$112.0 million). The management of the Company will continue to evaluate the Group's foreign exchange risk management procedures and take actions as appropriate to minimise the Group's exposure whenever necessary.

The changes in fair value of the foreign currency forward contracts were recognised in the consolidated statement of profit or loss. All of the foreign currency forward contracts are to be settled within one year.

Cash Flow and Fair Value Interest Rate Risk

As at December 31, 2022, other than bank balances with variable interest rates and short-term deposits, the Group has financial products of approximately US$210.8 million related to fair value interest rate risk. The Directors consider that the exposure of fair value interest rate arising from financial products is insignificant because of the relatively short duration, therefore no sensitivity analysis on such risk has been prepared.

Management's Discussion and Analysis

The Group is also exposed to fair value interest rate risk in relation to lease liabilities and cash flow interest rate risk in relation to variable-rate bank loans and other borrowings. The Company currently does not enter into any hedging instrument for both of the fair value interest rate risk and cash flow interest rate risk. The sensitivity analysis for cash flow interest rate risk is prepared on the exposure to interest rates for interest-bearing bank loans and other borrowings at the end of the Reporting Period. If the interest rates had been 50 basis point higher or lower and all other variables were held constant, our post-tax loss would have been approximately US$0.9 million higher or lower for the years ended December 31,2022.

Credit Risk

The carrying amounts of cash and cash equivalents, trade and other receivables and other current assets are the Group's maximum exposure to credit risk in relation to its financial assets. The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problems.

In respect of trade and other receivables, individual credit rating is performed on customers and counterparties. These evaluations focus on the counterparty's business performance, including but not limited to, financing activities, financial position, market economic environment, and past history of payment punctuality. Prepayment requirement is determined and credit limit is granted based on the credit rating and historical contracting amount, which will be reviewed quarterly. Monitoring procedures have been implemented to ensure that follow-up actions will be taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual transaction and accounts' revenue volume, outstanding balances, long-time past due invoices and payment records semi-yearly to ensure that adequate impairment losses are made for irrecoverable amounts.

Regulatory Risk

The Biosecurity Law of the PRC (《中華人民共和國生物安全法》) (the "**Biosecurity Law**"), promulgated by the Standing Committee of National People's Congress on October 17, 2020 and came into effect on April 15, 2021, establishes an integrated system to regulate biosecurity-related activities in China, including the security regulation of human genetic resources (the "**HGR**") and biological resources. The Biosecurity Law declares that China enjoys sovereignty over its HGR and biological resources and further endorsed the Regulation for the Administration of Human Genetic Resources of the PRC (《中華人民共和國人類遺傳資源管理條例》) by recognizing the fundamental regulatory principles and systems established by it over the preservation, collection, transaction or exportation of China's HGR by foreign organizations and individuals. On March 7, 2022, the second plenary session of the first session of the National People's Congress announced the reform plan of The State Council of the PRC. The China Center for Biotechnology Development, formerly under the Ministry of Science and Technology, was placed under the National Health Commission, and the China Human Genetic Resources Management Office under the center was also put under the administration of the Health Commission. We believe that future approvals will be more professional, faster and more conducive to the development of the biopharmaceutical industry.

The Group has formed a biosecurity committee which comprises professionals with years of experiences and diversified backgrounds in different industries and functions. The committee members are responsible for actively following new laws, regulations and guidelines published by regulatory authorities and promoting improvements in the compliance of the Group with such laws, regulations and guidelines.

Risk Related to International Trade Agreements, Tariffs and Import/Export Regulations

In recent years, there have been more material uncertainties arose in international trade agreements, tariffs and import/export regulations. The momentum of international trade protectionism and unilateralism is growing. The U.S. and the PRC governments have held numerous rounds of negotiations. If any new legislation and/or regulations are implemented, or if existing trade agreements are renegotiated, or if the U.S. or the PRC imposes additional burdens on international trade that negatively affect the ability of both countries to import and export goods, it may lead to a decline in material supply and demand of the Group's services. In order to mitigate this, the Group has continuously increased the layout of global service capacities.

Risk Related to Holding Foreign Companies Accountable Act

On December 16, 2021, the Public Company Accounting Oversight Board (the "**PCAOB**") issued a report on its determination that it is unable to inspect or investigate completely PCAOB-registered public accounting firms headquartered in Mainland China and Hong Kong because of positions taken by local authorities. The Holding Foreign Companies Accountable Act (the "**HFCA Act**"), was signed into law on December 18, 2020. In accordance with the HFCA Act, trading in Legend Biotech's ADSs on a national securities exchange or in the over-the-counter trading market in the U.S. may be prohibited if the PCAOB determines that it cannot inspect or fully investigate our auditor for three consecutive years beginning in 2021, and, as a result, an exchange may determine to delist Legend Biotech's ADS.

On December 2, 2021, the SEC adopted final amendments implementing the disclosure and submission requirements under the HFCA Act, pursuant to which the SEC will (i) identify an issuer as a "Commission-Identified Issuer" if the issuer has filed an annual report containing an audit report issued by a registered public accounting firm that the PCAOB has determined it is unable to inspect or investigate completely because of the position taken by the authority in the foreign jurisdiction and (ii) impose a trading prohibition on the issuer after it is identified as a Commission-Identified Issuer for three consecutive years. On December 29, 2022, the Consolidated Appropriations Act 2023 was signed, in accordance with which, among other things, the HFCA Act reduced the number of consecutive years an issuer can be identified as a Commission-Identified Issuer before the SEC must impose an initial trading prohibition on the issuer's securities from three years to two years.

On August 26, 2022, the PCAOB signed a Statement of Protocol with the China Securities Regulatory Commission and the Ministry of Finance of the PRC, taking the first step toward opening access for the PCAOB to inspect and investigate registered public accounting firms headquartered in Mainland China and Hong Kong. On December 15, 2022, the PCAOB issued a HFCAA Determination Report pursuant to 15 U.S.C. Section 7214(i)(2)(A) and PCAOB Rule 6100, vacating determinations of the PCAOB that it was unable to inspect or investigate completely registered public accounting firms headquartered in Mainland China and Hong Kong because of positions taken by relevant domestic authorities. While vacating those determinations, the PCAOB noted that, should it encounter any impediment to conducting an inspection or investigation of auditors in Mainland China or Hong Kong as a result of a position taken by any authority there, the PCAOB would act to immediately reconsider the need to issue new determinations consistent with the HFCA Act and PCAOB's Rule 6100.

Legend's auditor for the fiscal years ended December 31, 2021 and December 31, 2020 was Ernst & Young Hua Ming LLP, an independent registered public accounting firm. The PCAOB identified Ernst & Young Hua Ming LLP as one of the registered public accounting firms that the PCAOB was unable to inspect or investigate completely and Legend was conclusively identified as a "Commission-Identified Issuer" on May 4, 2022. On May 3, 2022, the audit committee of the board of directors of Legend Biotech (i) resolved that Ernst & Young Hua Ming LLP, located in Shanghai, People's Republic of China, would resign as Legend Biotech's independent registered public accounting firm for the audits of the Legend Biotech's financial statements and internal control over financial reporting to be filed with the SEC, effective on June 1, 2022, and (ii) approved the engagement of Ernst & Young LLP, located in the United States as Legend Biotech's independent registered public accounting firm for the audits of Legend Biotech's financial statements and internal control over financial reporting for the fiscal year ending December 31, 2022 to be filed with the SEC and Legend Biotech subsequently entered into an engagement letter with the Ernst & Young LLP. However, there are no guarantees that engaging Ernst & Young LLP will remove Legend Biotech from being a "Commission-Identified Issuer." Legend Biotech's ADSs may be delisted under the HFCA Act if the PCAOB is unable to inspect its auditors for two consecutive years.

Ernst & Young LLP must still be able to produce any audit work papers upon any PCAOB inspection or investigative demand and make any relevant audit personnel available to the PCAOB upon inspection or investigative demand. The failure of Ernst & Young LLP to meet any of its legal or professional obligations with respect to PCAOB inspection and investigative demands, or the failure of the Ernst & Young LLP to comply with all applicable audit standards, could result in significant liability for Legend or result in the delisting of its securities pursuant to the HFCA Act. Please refer to the announcements of the Company dated April 14, 2022 and May 9, 2022 for details.

IMPORTANT EVENTS

In February 2022 and April 2022, certain milestones relating to the clinical development and regulatory approval of cilta-cel have been achieved according to the terms and conditions of the collaboration agreement entered into among Legend USA, Legend Biotech Ireland Limited and Janssen, resulting in aggregate payments to Legend of US$100.0 million. Please refer to the announcements of the Company dated February 11, 2022 and April 21, 2022 for details.

In March 2022, the FDA approved Legend Biotech's first product, CARVYKTI (ciltacabtagene autoleucel), for the treatment of adults with relapsed or refractory multiple myeloma ("**RRMM**") who have received four or more prior lines of therapy, including a proteasome inhibitor, an immunomodulatory agent and an anti-CD38 monoclonal antibody. Please refer to the announcement of the Company dated March 1, 2022 for details.

In May 2022, the European Commission has granted conditional marketing authorization of CARVYKTI (ciltacabtagene autoleucel; cilta-cel) for the treatment of adults with relapsed and RRMM who have received at least three prior therapies, including a proteasome inhibitor, an immunomodulatory agent and an anti-CD38 antibody, and have demonstrated disease progression on the last therapy. Please refer to the announcement of the Company dated May 26, 2022 for details.

In June 2022 and November 2022, the FDA has cleared Legend's investigational new drug ("**IND**") applications to evaluate LB1908 in a Phase 1 clinical trial in the U.S. and to proceed with the clinical development of LB2102, respectively. LB1908 is an investigational, autologous CAR-T therapy selectively targeting claudin 18.2 through a high-affinity VHH antibody for the treatment of adults with relapsed or refractory gastric, esophageal (including gastro-esophageal junction) or pancreatic cancers. LB2102, an investigational is an autologous CAR-T therapy for the treatment of adult patients with extensive stage small cell lung cancer respectively. Please refer to the announcements of the Company dated June 5, 2022 and November 21, 2022 for details.

On July 2, 2022, Probio Cayman entered into a subscription agreement with an investor, pursuant to which Probio Cayman issued and sold and the investor purchased 57,314,000 Probio Series B Preferred Shares at an aggregate consideration of approximately US$37.3 million. The completion of the Probio Series B Financing took place on July 6, 2022. Please refer to the announcements of the Company dated July 4, 2022 and July 6, 2022 for details.

On July 27, 2022, Legend Biotech entered into the underwriting agreement with underwriters in relation to the Follow-on Public Offering of 8,140,000 ADSs, with the additional 1,221,000 ADSs purchased by the underwriters by exercising their options, at a price to the public of US$43.00 per ADS and each ADS represented two ordinary shares of Legend Biotech. On 29 July, 2022, the Follow-on Public Offering was closed. Please refer to the announcements of the Company dated July 26, 2022, July 27, 2022, July 28, 2022 and July 31, 2022 for details.

In September 2022, Japan's Ministry of Health, Labour and Welfare approved CARVYKTI for the treatment of adults with relapsed or refractory multiple myeloma, limited to cases meeting both of the following conditions: patients have no history of CAR-positive T cell infusion therapy targeting BCMA; and patients who have received three or more lines of therapies, including an immunomodulatory agent, a proteasome inhibitor and an anti-CD38 monoclonal antibody, and in whom multiple myeloma has not responded to or has relapsed following the most recent therapy. Please refer to the announcement of the Company dated September 28, 2022 for details.

In December 2022, the NMPA has formally accepted Legend Biotech's New Drug Application for cilta-cel. Please refer to the announcement of the Company dated January 2, 2023 for details.

On January 17, 2023, Probio Cayman entered into the subscription agreement with the series C investors (including the Company), whereby Probio Cayman agreed to sell 319,998,370 series C preferred shares of Probio Cayman (the "**Probio Series C Financing**"). The initial closing and the additional closing of the Probio Series C Financing took place on February 10, 2023 and April 21, 2023, respectively. Please refer to the announcements of the Company dated January 17, 2023, February 10, 2023 and April 21, 2023 for details.

On April 19, 2023, Legend Biotech entered into a subscription agreement with an investor, pursuant which Legend Biotech agreed to offer and sale of 7,656,968 ordinary shares of Legend Biotech at the aggregate purchase price of approximately US$200.0 million (the "**Legend Private Placement**"). As at the date of this report, the closing of the Legend Private Placement has not been taken place. Please refer to the announcement of the Company dated April 20, 2023 for details.

PROSPECTS

During 2022, the global economy continues to face challenges rising from high inflation in most of the developed countries and COVID-19 controls in China. Investment in the life-science and healthcare industry was not immune to the chilling effect of slow economic growth and high uncertainty on the macro level.

However, the Group is committed to our strategy to focus our efforts in the GCT area, not only developing innovative cell therapy products such as CARVYKTI, but also developing enabling technology for GCT-related research and manufacturing process. We believe the GCT market is the most promising segment of the life-science and healthcare industry. In the long run, GCT offers the chance to dramatically improve cost effectiveness of healthcare with high precision and efficacy.

In life-science business, we continue to improve technology platform and capacity to serve the needs for faster and higher quality GCT research and clinical development. Our customers are using our enabling tools and services to conduct research on cancer, rare diseases, infectious diseases, and more. Their research has the potential to lead to the development of life-saving vaccines, therapeutics and diagnostics, which could have a profound impact on millions of lives.

In the CDMO field, we are observing a slower market growth as early stage biotech companies are struggling for funding many less innovative pipeline programs that were eliminated due to slim chance of obtaining commercial success. Furthermore, aggregated manufacturing capacity, particularly in China, is in excess of industry demand since many less experienced players have entered this field hoping to catch the wave of fast growth driven by easy credit and COVID-19 related one time demand in the past several years. Some biotech companies who have previously built manufacturing capacities for their own pipeline programs are also now looking to sell such assets or use them for CDMO purposes. The competition has been fierce.

However, we believe our emphasis on quality and global commercial network offers unique value to our customers and this will set us apart from the majority of the competitors. Our prudent planning in capacity buildout and capital raising also give us the advantage to compete effectively. We believe industry participants are much more rational now and we have the opportunity to gain market share and accelerate growth as the macro environment improves.

For industrial synthetic biology products, our enzyme products support various important industries including grain processing, feed and household care, with high standard of quality and performance. Furthermore, we use biological process to replace traditional chemical process, enable our customer to achieve better yield and environmentally friendly production. With the synthetic biology platform, we believe our technology will serve more industrial applications and reinvent some industries into more sustainable business.

In the cell therapy field, we will continue to push forward Legend's pipeline programs through our internal resources, and Legend continues to evaluate opportunities for collaborations with external partners. Legend plans to continue to utilize investigator initiated trials ("**IIT**") in China to generate clinical data in a fast and cost effective way and plans to continue to pursue IND-based trials in the U.S., which may, where beneficial, leverage data generated from these IITs.

FUTURE DEVELOPMENT STRATEGIES

The Group will continue to execute a three-pronged strategy to allocate capital to capture growth opportunities, improve efficiency and reduce risk.

We will expand our investment in research and development to improve the competitiveness of our products and services. We will also improve operational efficiency with digital transformation and lean management system. To shorten our response time to our customers' needs and mitigate global supply chain risk, we are also expanding capacity globally.

In the life-science services and products segment, we will continue to increase throughput and reduce costs through automation. We will also expand our manufacturing capacity for life-science and related catalogue products in plasmid preparation, protein expression, antibody production, oligo, etc. to meet our customers' demands on throughput. We will continue to upgrade our life-science products and services with GMP grade manufacturing to meet the needs of translational medical research and the commercial market.

In the biologics CDMO segment, we will focus on optimizing our biologics production technology platform and expanding our expertise commercial stage manufacturing. In the GCT area, we will continue to invest in capacity expansion and technological improvement in GMP plasmid, viral vector and mRNA production to solidify our position in China and overseas. We are also investing in our global commercial network to further penetrate the markets outside of China.

In the synthetic biology field, we are committed to shaping Bestzyme into one of the leading synthetic biology solution providers by continuing investment in research and development, expanding target markets and optimizing production costs. In the future, the Group will leverage our bioinformatics platform, gene editing technology, large-scale industrial fermentation and metabolic engineering technology to strengthen Bestzyme's competitiveness in the synthetic biology industry.

In the cell therapy field, we will continue to push forward Legend's pipeline programs through our internal resources as well as collaborations with external partners. We will continue to explore the advantage of conducting IIT in China and to selectively combine those with IND trials approved by the FDA in the U.S. to generate clinical data in a fast and cost effective way.

EMPLOYEES AND REMUNERATION POLICIES

As at December 31, 2022 the Group had a total of approximately 6,213 employees. The Group had entered into employment contracts covering positions, employment conditions and terms, salaries, employees' benefits, compensation, responsibilities for breach of contractual obligations, and reason for termination with its employees. The remuneration package of the Group's employees includes basic salary, subsidies, other employee benefits and long-term incentives, which are determined with reference to their capability, responsibility, performance, and other general factors.

During the Reporting Period, the Group's total expenses on the remuneration of employees (including the Directors and the chief executive) was approximately US$440.0 million, representing 70.3% of the total revenue of the Group. This significant increase in labor costs is primarily driven by the increase in performance-based long-term incentives. The Group views this as the necessary long-term investment in our talents pool. This investment has demonstrated the Group's desires and resolutions to continue to strengthen its talent uplifting strategy. This talent uplifting strategy not only involves the recruitment of experienced professional and managerial personnel to fulfill the front line posts of R&D, commercial and production functions, but also systematically increases the overall salary and benefits packages to sustain the stability of the employees to drive for long-term commitment and performance improvement as well.

On July 15, 2015, the Company adopted the pre-IPO share option scheme (the "**Pre-IPO Share Option Scheme**"). On December 7, 2015, the Company adopted the post-IPO share option scheme (the "**Post-IPO Share Option Scheme**"). On March 22, 2019, the Company adopted the restricted share award scheme (the "**2019 RSA Scheme**"). On August 23, 2021, the Company adopted the restricted share award scheme (as amended on May 26, 2022) (the "**2021 RSA Scheme**").

On December 21, 2017, the Company approved and adopted the share option scheme (the "**Legend Share Option Scheme**", together with the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme, the "**Share Option Schemes**") of Legend, being the direct non-wholly owned subsidiary of the Company. On May 26, 2020, the shareholders of Legend approved and adopted the restricted shares plan of Legend (the "**Legend Restricted Shares Plan**"). On August 3, 2021, the shareholders of Probio Cayman, being the indirectly non-wholly owned subsidiary of the Company, approved and adopted the restricted share unit award scheme of Probio Cayman (the "**Probio RSUA Scheme**", together with the 2019 RSA Scheme, the 2021 RSA Scheme and the Legend Restricted Shares Plan, the "**RSA Schemes**").

Management's Discussion and Analysis

The number of employees of the Group categorized by function as of December 31, 2022 is set forth as follows:

Function	Number of employees	Percentage of total (%)
Production	3,025	48.7%
Sales and marketing	583	9.4%
Administration	942	15.2%
Research and development	822	13.2%
Management	841	13.5%
Total	6,213	100.0%

The Group's remuneration policy and structure for remuneration of the Directors and senior management of the Group are based on the Group's operating results, individual performance and comparable market statistics and are reviewed by the remuneration committee of the Company (the "**Remuneration Committee**") periodically.

The remuneration of the non-executive Directors is recommended by the Remuneration Committee and is decided by the Board, while the remuneration of the executive Directors and senior management members is determined by the Remuneration Committee, having regard to their merit, qualifications and competence, the Group's operating results and comparable market statistics.

The Group invests in continuing education and training programmes for its employees with a view to constantly upgrading their skills and knowledge and providing the employees with an environment that encourages them to develop their career with the Group. The Group has arranged continuous on-the-job training for its employees. These training courses cover a broad spectrum, including technical know-how of various business segments, environmental, health and safety management systems, and mandatory training required by applicable laws and regulations.

In accordance with relevant regulations on social insurances or other benefits, the Group makes contribution to these statutory and supplementary insurances and benefits for its employees.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

The Board currently consists of eleven directors of the Company (the "**Directors**"), comprising four executive Directors, three non-executive Directors, and four independent non-executive Directors. The following table sets out certain information concerning our Directors:

Name	Age	Position	Date of Appointment
Executive Directors			
Zhang Fangliang	58	Executive Director	Appointed as a non-executive Director with effect from May 2, 2022 and re-designated as an executive Director from December 17, 2022
Meng Jiange	55	Chairman and executive Director	August 24, 2015
Wang Ye	54	Executive Director and president	May 21, 2015
Zhu Li	74	Executive Director and Chief Strategy Officer	November 22, 2020
Non-executive Directors			
Wang Luquan	54	Non-executive Director	May 21, 2015
Pan Yuexin	65	Non-executive Director	August 24, 2015
Wang Jiafen	72	Non-executive Director	November 26, 2018
Independent non-executive Directors			
Guo Hongxin	60	Independent non-executive Director	August 24, 2015
Dai Zumian	45	Independent non-executive Director	August 24, 2015
Pan Jiuan	55	Independent non-executive Director	November 26, 2018
Wang Xuehai	49	Independent non-executive Director	November 22, 2020

Directors and Senior Management

Executive Directors

Dr. Zhang Fangliang (章方良), aged 58, is the co-founder and an executive Director of the Company. He was appointed as a Director on 21 May 2015, redesignated as an executive Director and appointed as chairman of the Board on 24 August 2015, redesignated from an executive Director to a non-executive Director on 2 August 2020, resigned from a non-executive Director and chairman of the Board on 22 November 2020, reappointed as a non-executive Director on 2 May 2022, and redesignated from a non-executive Director to an executive Director on 17 December 2022. As our executive Director, he is primarily responsible for the overall strategic development and planning, the risk management, and the investments, mergers and acquisitions of the Group. He is one of the founders and a director of Genscript Corporation ("**GS Corp**"). He was a director and chairman of our non-wholly-owned subsidiary Legend Biotech Corporation (NASDAQ: LEGN) from 27 May 2015 to 22 November 2020 and was its chief executive officer from 2 August 2020 to 22 November 2020. He was reappointed as a director of Legend Biotech on 2 August 2022 and was reappointed as chairman of Legend Biotech on the same day. Dr. Zhang is currently a director of the following members of the Group: GenScript Bioscience (BVI) Limited, Genscript USA Incorporated ("**GS USA**"), GenScript USA Holding, Inc., CustomArray, Inc., GenScript (Hong Kong) Limited ("**GS HK**"), GenScript Biotech (Singapore) Pte. Ltd., GenScript Biotech (Netherlands) B.V., Bestzyme, Bestzyme Biotech Limited, Bestzyme USA Inc., Bestzyme Biotech HK Limited, Bestzyme Hongkong Limited (previously named GenScript International Limited), Bestzyme Biotech Inc., Legend Biotech Limited, Legend Biotech HK Limited, Legend Biotech USA Inc., Legend Biotech Ireland Limited, Legend Biotech Belgium BV, Yangtze Investment (BVI) Limited, Yangtze Investment USA, Inc., Yangtze Holdings (BVI) Limited, Yangtze Investment (HK) Limited, Curegene Biotech Corporation, Curegene Biotech (BVI) Limited, Curegene Biotech (HK) Limited, Novagene Biotech (Cayman) Corporation, and Probio Technology Limited, Shandong Bestzyme Bio-Engineering Co., Ltd.* (山東百斯傑生物科技有限公司) and Nanjing Bestzyme Bio-Engineering Co., Ltd.* (南京百斯傑生物工程有限公司). Dr. Zhang is the general manager of Genscript (Nanjing) Co., Ltd.* (金斯康科技(南京)有限公司). He is also a director and the general manager of Maple Bio (Nanjing) Co., Ltd.* (楓楊生物研發(南京)有限公司). Dr. Zhang is also the responsible representative of Jinan Bestzyme biological engineering Co. Ltd., Downtown Branch Company* (濟南百斯傑生物工程有限公司市中分公司). Dr. Zhang is the chairman of our risk management committee ("**Risk Management Committee**") and our strategy committee ("**Strategy Committee**").

Dr. Zhang has over 25 years of experience in the biotechnology industry. Prior to joining the Group, from 1995 to 2002, he worked as a postdoctoral research fellow and an associate principal scientist at Schering-Plough. Dr. Zhang worked in the tumour biology department during his postdoctoral research at Schering-Plough. Dr. Zhang was also one of the key team members for an anti-cancer drug, farnesyl transferase inhibitor. After Dr. Zhang's postdoctoral studies, he was recruited to the department of central nervous system and cardiovascular system at Schering-Plough. He became one of the project leaders focusing on G-protein coupled receptors and led a group of scientists to discover the drug target for a billion-dollar drug. As a result of this discovery, Dr. Zhang won a Presidential Award at Schering-Plough in 2001. From 2002 to August 2020, Dr. Zhang worked as the chief executive officer of the Company, where he was involved in a variety of key biotechnological research projects and provided guidance and directions to those biotechnological research projects.

Dr. Zhang obtained a Bachelor of Engineering degree from Chengdu College of Geology* (成都地質學院) (currently known as Chengdu University of Technology* (成都理工大學)) in the PRC in July 1984 and a Master of Science degree from Nanjing University in the PRC in July 1987. He also obtained a Doctor of Philosophy degree from Duke University in the U.S. in September 1995.

Directors and Senior Management

Mr. Meng Jiange (孟建革), aged 55, is the chairman and an executive Director of the Company. He was appointed as an executive Director of the Company on August 24, 2015 and was appointed as the chairman of the Board with effect from November 22, 2020. He is primarily responsible for the development, positioning, and strategy planning of the Group. He was appointed as the vice president of finance of the Group in April 2010 when he joined the Group, was the vice president of investor relations between December 1, 2017 and December 31, 2019 and was the secretary of the Board between January 1, 2020 and November 22, 2020. Mr. Meng is currently a director of Probio Technology I Limited, Probio Technology Limited, Probio Technology (BVI) Limited, Probio Technology HK Limited and Nanjing Bestzyme Bio-Engineering Co., Ltd.* (南京百斯杰生物工程有限公司). Mr. Meng is the chairman of our nomination committee ("**Nomination Committee**").

Mr. Meng has over 28 years of experience in finance and accounting. Prior to joining the Group, from July 1990 to October 1997, Mr. Meng worked at CCCC Guangzhou Dredging Co., Ltd.* (中交廣州航道局有限公司). From January 1999 to May 2000, Mr. Meng worked as the national finance manager at Guangdong Whirlpool Home Appliance Group* (廣東惠而浦家電集團). From May 2000 to July 2004, Mr. Meng worked at Schering-Plough China* (先靈葆雅中國公司) as a branch finance manager and the accounting and IT manager in the head office. From September 2004 to December 2007, Mr. Meng worked as the Asia finance controller of Saint Gobain Grains and Powder Division. From March 2008 to March 2010, Mr. Meng worked as the chief financial officer of Quay Magnesium.

Mr. Meng graduated from Changsha Communications Institute* (長沙交通學院) (currently known as Changsha University of Science Technology* (長沙理工大學) in the PRC with a Bachelor of Engineering degree in July 1990. He obtained a Master of Finance degree from Queen's University at Kingston, Canada in October 2022.

Ms. Wang Ye (王燁), aged 54, is the co-founder, an executive Director and president of the Company. She was appointed as a Director on May 21, 2015 and has been redesignated as an executive Director on August 24, 2015 and is primarily responsible for the Group's strategies and overall operational management. Ms. Wang is currently a director of the following members of the Group: GenScript Bioscience (BVI) Limited (formerly known as Genscript Biotech Limited), GS HK, GS USA, Bestzyme, Bestzyme Biotech Limited, Bestzyme Hongkong Limited (previously named GenScript International Limited), Legend Biotech. Nanjing Legend Biotech Co., Ltd.* (南京傳奇生物科技有限公司), Nanjing Bestzyme Bio-Engineering Co., Ltd.* (南京百斯傑生物工程有限公司), Maple Bio, Maple Bio (Nanjing) Co., Ltd.* (楓楊生物研發(南京)有限公司), CustomArray, Inc., Probio Technology I Limited, Probio Technology Limited, Probio Technology (BVI) Limited, Probio Technology HK Limited and Probio Technology (Netherlands) B.V. Ms. Wang is the partner of Nanjing Genbest Enterprise Management Center (Limited Partner)* (南京金百企業管理中心(有限合夥)). Ms. Wang is the trustee and president of Ren-Shiu Foundation, Inc.. Ms. Wang is a member of our remuneration committee ("**Remuneration Committee**").

She joined GS Corp in August 2002 and served as the sales account manager until January 2005. In the Group, she worked as the sales and marketing director from February 2005 to August 2009, vice-president of operations from September 2009 to August 2011, and executive vice-president of operations from September 2011 to March 2014. She has been the chief operating officer of GS Corp in April 2014 until her redesignation as the president in December 1, 2017 and she has been again re-designated as the secretary since December 2018. Prior to joining the Group, she worked as the environmental monitoring engineer at Shenzhen Futian Environment Protection Surveillance Station* (深圳市福田區環境保護監測站) from July 1993 to July 2000.Ms. Wang obtained a Bachelor of Science in Microbiology and a Master of Science degree from Wuhan University* (武漢大學) in the PRC in July 1990 and in August 1993, respectively. She also obtained a Master of Science in Computer Sciences degree from Bridgeport University in the U.S. in December 2003. She obtained an Executive Master of Business Administration degree from the China Europe International Business School* (中歐國際工商學院) in the PRC in August 2014.

Directors and Senior Management

Dr. Zhu Li (朱力), aged 74, is an executive Director and chief strategy officer of the Company. He is primarily responsible for strategy planning of the Company. Dr. Zhu was the vice president of strategy of the Group from March 2010 to February 2017, the chief strategy officer of the Company from February 2017 to July 2019, and a consultant for the Company from July 16, 2019 to November 21, 2020. He was appointed as an executive Director with effect from November 22, 2020. Upon his appointment as executive Director, he resumed his role as the chief strategy officer of the Company. Dr. Zhu is currently a director of the following members of the Group: Novagene Biotech (Cayman) Corporation, GenScript Diagnostics Corporation, GenScript Diagnostics (BVI) Inc., GenScript Diagnostics HK Limited, Probio Technology I Limited, Probio Technology (BVI) Limited, Probio Technology HK Limited, GenScript Probio USA Inc., Nanjing Legend Biotech Co., Ltd.* (南京傳奇生物科技有限公司) and GoldenStar Investment Incorporation. He is also a supervisor of Maple Bio (Nanjing) Co., Ltd.* (楓楊生物研發（南京）有限公司).

Before joining the Group, Dr. Zhu worked at Clontech Laboratories, Inc. in California, USA as a director of molecular biology from January 1990 to March 2000, where he pioneered the commercialization of yeast two-hybrid system and a series of other advanced molecular biology techniques. Dr. Zhu founded Genetastix Corporation, Inc. and acted as the president and chief executive officer from May 2000 to December 2005. Genetastix Corporation, Inc. is a biotech company with a focus in creating a human antibody library in yeast and applying the genetic method in screening such antibody. Dr. Zhu then worked at biotech companies in China, serving as vice president of research at Cathay Biotech, Inc. from July 2006 to December 2008, and as vice president of HUYA Biomedical Technology (Shanghai) Co., Limited* (滬亞生物醫藥技術（上海）有限公司) from January 2009 to December 2009.

Dr. Zhu obtained a Bachelor of Science of Biology degree from the East China Normal University (華東師範大學) in June 1982 and a Doctor of Philosophy in molecular biology and immunology from Stanford University in July 1989.

Non-executive Directors

Dr. Wang Luquan (王魯泉), aged 54, is a co-founder and a non-executive Director of the Company. He was appointed as a Director on May 21, 2015 and redesignated as a non-executive Director of the Company on August 24, 2015 and is primarily responsible for the Group's strategies and operational management. From 2003 to 2014, Dr. Wang was the president of GS Corp and is still currently a director of GS Corp. Dr. Wang is currently a director of two of the Company's subsidiaries, namely, GS HK and GS USA.

Dr. Wang has nearly 28 years of experience in the biotechnology industry. He has been appointed as the chief executive officer and chairman of Vibrant Pharma Ltd.* (信華生物藥業（廣州）有限公司) since December 2020. Prior to joining the Group, from 1991 to 1996, he worked as a graduate research assistant, and from 1995 to 1996, a bioinformatics staff at Rutgers University in the U.S. From 1996 to 2003, Dr. Wang was a senior principal scientist at Schering-Plough Research Institute.

Dr. Wang obtained a Bachelor of Science in Biochemistry degree from Shandong University* (山東大學) in the PRC in July 1991 and a Doctor of Philosophy degree from Rutgers University in the U.S. in October 1996.

Directors and Senior Management

Mr. Pan Yuexin (潘躍新), aged 65, was appointed as a non-executive Director of the Company on August 24, 2015 and is primarily responsible for the Group's strategies and operational management. Mr. Pan is a member of our Strategy Committee.

Mr. Pan graduated from the Zhejiang Branch of the Open University of China* (中央廣播電視大學浙江分校) with a Chinese language and literature diploma in July 1985. Mr. Pan graduated from the Chinese Academy of Social Sciences* (中國社會科學院) with an economic law post graduate degree in July 1987.

Mr. Pan was a partner of Jun He Law Offices (君合律師事務所) from October 1992 to May 2003 and July 2009 to February 2013. Mr. Pan has been the chairman of Shanghai Lvpai Enterprise Management Consulting Co, Ltd.* (上海律派企業管理諮詢有限公司) since May 2016 and the chairman of Shaoxing Lvpai Enterprise Management Co, Ltd.* (紹興律派企業管理股份有限公司) since December 2018. He has been the chairman of Shaoxing Luchang Culture Development Co. Ltd* (紹興律昌文化發展有限公司) since January 2019.

Mr. Pan was the committee member and secretary general of the Education Committee of the All China Lawyers Association, PRC* (中華全國律師協會) from 2001 to 2003. He was also the director of the Hainan and Shanghai branches of Jun He Law Offices (君合律師事務所) from October 1992 to May 2003 and deputy director of the Education Committee of the Shanghai Bar Association* (上海市律師協會) from 2000 to 2003.

Mr. Pan was an independent non-executive director of Jiangling Motors Co., Ltd.* (江鈴汽車股份有限公司, SZSE: 000550), which is listed on the Shenzhen Stock Exchange, from 2005 to 2009, Sinochem International Corporation* (中化國際貿易股份有限公司, SHA: 600500), which is listed on the Shanghai Stock Exchange, from 2002 to 2003, Shanghai Tunnel Engineering Co., Ltd.* (上海隧道工程股份有限公司, SHA: 600820), which is listed on the Shanghai Stock Exchange, from 2009 to 2016, Great Wall Movie and Television Co., Ltd.* (長城影視股份有限公司, SZSE: 002071), which is listed on the Shenzhen Stock Exchange, from 2011 to 2014, and Simei Media Co., Ltd* (思美傳媒股份有限公司, SZSE: 002712) from 2009 to 2012 before it was listed on the Shenzhen Stock Exchange in 2014.

Ms. Wang Jiafen (王佳芬), aged 72, was appointed as a non-executive Director of the Company on November 26, 2018 and is primary responsible for the Group's strategies and operational management. Ms. Wang is a member of our Strategy Committee.

Ms. Wang has over 43 years of experience in corporate management across various industries, including financial, food and retail services. She is currently the chairwoman of Shanghai Guanji Enterprise Management Consulting Co., Ltd.* (上海觀詰企業管理諮詢公司) and a coach of Shanghai Lingjiao Enterprise Management Consulting Co. Ltd* (上海領教企業管理諮詢有限公司). She has previously served as the vice chairwoman of Ping An Trust Co., Ltd.* (平安信託有限責任公司) from 2011 to 2015. From 2008 to 2011, she was a partner of Granite Global Ventures (紀源資本). From 1996 to 2008, Ms. Wang served as the chairwoman and general manager of Bright Dairy Co., Ltd.* (光明乳業股份有限公司) (SHA: 600597). From 1992 to 2002, she served as the chairwoman and general manager of Shanghai Diary Company* (上海市牛奶公司).

Ms. Wang has been serving as a non-independent director of Shanghai Rongtai Health Technology Corporation Limited*上海榮泰健康科技股份有限公司 (SHA: 603579) since October 2019, an independent director of UE Furniture Co, Ltd (浙江永藝傢俱股份公司) (SHA: 603600) since 2017, an independent director of BESTORE Co., Ltd. (良品舖子股份有限公司) (SHA: 603719) since November 2017, and a non-independent director of Zhende Medical Co., Ltd (振德醫療用品股份有限公司) (SHA: 603301) since 2016. She has also served as an independent director of Eurocrane (China) Co., Ltd* (法蘭泰克重工股份有限公司) (SHA: 603966) from 2017 to 2018 and a director of Meinian Onehealth Healthcare Holdings Co., Ltd (美年大健康產業控股股份有限公司) (SZSE: 002044) from 2013 to 2019, and a director of Shanghai Xintonglian Packaging Co., Ltd (上海新通聯包裝股份有限公司) (SHA: 603022) from 2011 to 2022.

Ms. Wang obtained her college degree in business management from Shanghai Television University* (上海電視大學) in 1986 (now known as Shanghai Open University*上海開放大學). She obtained her master degree in business administration from China Europe International Business School (中歐國際工商學院) in 2004.

Independent Non-executive Directors

Mr. Guo Hongxin (郭宏新), aged 60, was appointed as an independent non-executive Director of the Company on August 24, 2015. Mr. Guo is the chairman of our remuneration committee and a member of our audit committee ("**Audit Committee**") and Risk Management Committee.

From July 1983 to March 1998, Mr. Guo was working at the Nanjing School of Chemical Engineering. Since April 1998, he has been the chairman of the board of Sunpower Group Ltd, which was listed on the Singapore Exchange SESDAQ in March 2005 and has been listed on the Singapore Exchange Mainboard since August 2007 (SPWG: Singapore Exchange).

Mr. Guo obtained a Diploma in Chemical Thermal Engineering from Nanjing Chemical Engineering College* (南京化工動力專科學校) (currently known as Nanjing Normal University) in the PRC in July 1983. Mr. Guo obtained a senior engineering qualification from Nanjing University of Chemical Technology* (南京化工大學) (currently known as Nanjing Tech University* (南京工業大學) in the PRC in March 1997. He also obtained a Doctor of Philosophy in Geotechnical Engineering degree from the Chinese Academy of Sciences* (中國科學院) in the PRC in January 2010. He also obtained an Executive Master of Business Administration degree from Tsinghua University* (清華大學) in the PRC in July 2014 and he was qualified as a senior engineer by the Advanced Professional Technical Qualification Evaluation Committee of Mechanical Engineering* (機械工程高級專業技術資格評審委員會評審), Nanjing, Jiangsu Province in November 2018. Mr. Guo was awarded the title of distinguished professor of Nanjing Tech University in May 2021.

Mr. Dai Zumian (戴祖勉), aged 45, was appointed as an independent non-executive Director of the Company on August 24, 2015. Mr. Dai is the chairman of the Audit Committee, and a member of the Remuneration Committee and the Nomination Committee.

Mr. Dai is a member of the Chinese Institute of Certified Public Accounts as well as a fellow of Association of Chartered Certified Accountants. From July 1999 to August 2006, he gained over seven years' experience in auditing. His experience in auditing includes that gained at PricewaterhouseCoopers Zhongtian Certified Public Accountants (普華永道中天會計師事務所) from February 2005 to August 2006.

Mr. Dai was the qualified accountant and company secretary of Hisense Kelon Electrical Holdings Limited (海信科龍電器股份有限公司, HKSE: 921, SZSX: 000921), which is listed on the Main Board of the Hong Kong Stock Exchange and the Shenzhen Stock Exchange, from September 2006 to August 2007. Mr. Dai served as the chief financial officer of Shanghai Golden Monkey Food Joint Stock Co., Ltd.* (上海金絲猴食品股份有限公司) from February 2009 to April 2012, of Xiezhong International Holdings Limited (協眾國際控股有限公司, HKSE: 3663) which is listed on the Main Board of the Hong Kong Stock Exchange, from May 2012 to June 2017, of Roseonly Group Co., Ltd.* (諾誓集團有限公司) from October 2017 to April 2019, and of Shanghai Sanxi Big Data Technology Co., Ltd.* (上海三熙大數據技術有限公司) from April 2019 to June 2021. Mr. Dai served as the chief financial officer of Shanghai Sanxi Information Technology Co., Ltd.* (上海三熙信息技術有限公司, previously named Shanghai Jiuli Information Services Co., Ltd.* (上海九曆信息服務有限公司) since July 2021 to March 2023 and was redesignated as its chairman in March 2023. He has been an independent non-executive director of Beijing Hanyi Keyin Information Technology Co., Ltd.* (北京漢儀創新科技股份有限公司) (SZ: 301270) from September 2019.

Mr. Dai graduated from Shanghai University of Finance and Economics* (上海財經大學) in the PRC with a Bachelor of International Business Administration degree in June 1999. He also holds an Executive Master of Business Administration degree from China Europe International Business School* (中歐國際工商學院) in the PRC earned in October 2013.

Mr. Pan Jiuan (潘九安), aged 55, was appointed as an independent non-executive Director of the Company on November 26, 2018. Mr. Pan is the member of the Audit Committee, the Nomination Committee and the Risk Management Committee.

Mr. Pan has over 23 years of experience in human resources and management across various industries, including education, kitchen electrical appliances, office automated facilities, textile and garment. He is currently the chief executive officer of Ningbo Liangzhixin Culture Media Co., Ltd.* (寧波良知行文化傳媒有限公司) from January 2021. From May 2020 to December 2020, he served as the chief executive officer of Shanghai FastLink Door Co., Limited* (上海快聯門業有限公司). From 2018 to 2020, he served as the chief human resources officer of Shanghai Lingjiao Enterprise Management Consulting Co. Ltd* (上海領教企業管理諮詢有限公司). From 2010 to 2013 and 2003 to 2010, he served as the corporate group director of human resources of each of K-Boxing Men's Wear (Shanghai) Co. Ltd.* 勁霸男裝(上海)有限公司) and Ningbo Fotile Kitchen Appliances Co. Ltd.*. (寧波方太廚具有限公司), respectively. From 1994 to 2002, he was the deputy manager, manager, and senior manager of Minolta Industries (HK) Limited (美能達實業(香港)有限公司).

Mr. Pan obtained his bachelor degree in law from Central South University of Technology* (中南工業大學) (now known as Central South University* (中南大學) in 1991. He obtained his qualification as a lawyer in the PRC in 1994. He also obtained the national manager qualification* (國家一級經理人資格) from Shanghai Jiao Tong University Center for Quality Management* (上海交通大學卓越管理中心) in 2016. He further obtained the certificate of chief human resources officer from Renmin University* (中國人民大學) in 2018.

Dr. Wang Xuehai (王學海), aged 49, was appointed as an independent non-executive director on November 22, 2020.

From October 2000 to February 2003, Dr. Wang served as a vice president of Humanwell Healthcare (Group) Co., Ltd. (人福醫藥集團股份公司) ("**Humanwell Healthcare**"), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600079). He served as the president of Humanwell Healthcare from February 2003 to October 2006, and then as the chairman of Humanwell Healthcare from October 2006 to April 2020. He also served as the chairman of Lifestyles Healthcare Pte Ltd* (樂福思健康集團公司) since September 2017 and as the chairman of Wuhan Jissbon Sanitary Products Limited* (武漢傑士邦衛生用品有限公司) since February 2001. Dr. Wang has been serving as a director of Humanwell Healthcare since April 2020 and as an independent director of Douyu International Holdings Limited, the shares of which are listed on the Nasdaq Global Select Market (stock code: DOYU), since March 2019.

Dr. Wang is also the vice president of China Pharmaceutical Enterprises Association* (中國醫藥企業管理協會), an executive committee member of All-China Federation of Industry and Commerce* (中華全國工商業聯合會), a member of Hubei Provincial Committee of the Chinese People's Political Consultative Conference* (中國人民政治協商會議湖北省委員), the vice chairman of Hubei Federation of Industry and Commerce* (湖北省工商業聯合會), the president of Hubei Pharmaceutical Industry Association* (湖北省醫藥行業協會), and the president of Wuhan Young Entrepreneur Association* (武漢市青年企業家協會).

Dr. Wang obtained a Bachelor degree in geochemistry from the China University of Geosciences* (中國地質大學) in 1996, and a Master degree and Doctor's degree in business management both from the Wuhan University* (武漢大學) in 1999 and 2003, respectively. He also obtained an Executive Master of Business Administration from the Central Connecticut State University (中康乃狄克州立大學) in 2002.

SENIOR MANAGEMENT

The following table sets out certain information concerning our senior management:

Name	Age	Year of joining the Group	Date of Appointment
Zhang Fangliang	(see above)	(see above)	(see above)
Meng Jiange	(see above)	(see above)	(see above)
Wang Ye	(see above)	(see above)	(see above)
Zhu Li	(see above)	(see above)	(see above)
Shao Weihui	43	July 1, 2005	Appointed as the chief operating officer of the Company on July 8, 2021 and appointed as a rotating chief executive officer of the Company with effect from January 1, 2023
Liu Zhenyu	47	May 11, 2009	August 2, 2020
Wei Shiniu	43	September 2, 2019	December 1, 2020
Ying Huang	50	July 22, 2019	November 6, 2020

Dr. Zhang Fangliang (章方良), is the executive Director of the. Please refer to the previous section headed "Executive Directors" for the biography of Dr. Zhang.

Mr. Meng Jiange (孟建革), is the chairman and the executive Director of the. Please refer to the previous section headed "Executive Directors" for the biography of Mr. Meng.

Ms. Wang Ye (王燁), is the co-founder, the executive Director and president of the Company. Please refer to the previous section headed "Executive Directors" for the biography of Ms. Wang.

Dr. Zhu Li (朱力), is the executive Director, chief strategy officer of the Company. Please refer to the previous section headed "Executive Directors" for the biography of Dr. Zhu.

Ms. Shao Weihui (邵煒慧), aged 43, has been appointed as a rotating chief executive officer of the Company with effect from January 1, 2023 and she will be on duty on yearly basis with effect from such date, subject to rotation on yearly basis. She was appointed as the chief operating officer of the Company on July 8, 2021 and is primarily responsible for the supporting functions of the Company, including human resources, supply chain, engineering and instrument, information technology, quality and environmental, health and safety functions. She is a member of the sanctions risk control committee (the "**Sanctions Risk Control Committee**").

Ms. Shao has over 16 years of management experience in the life-science and biologics development industry. Ms. Shao joined the Group in July 2005. From July 2005 to April 2017, Ms. Shao served in a number of positions at the Group, including a group leader of antibody department, a manager of antibody development and a vice president of reagent service production center. From April 2017 to April 2019, Ms. Shao worked as the deputy general manager of the reagent service business unit. From April 2019 to August 2020, Ms. Shao served as the president of life science group. From August 2020 to February 2021, she worked as the president of European division. From February 2021 to July 2021, she worked as China President. She was appointed as the chief operating officer of the Company in July 2021.

Ms. Shao, obtained her Bachelor of Science degree in biology from Nanjing Normal University* (南京師範大學) in the PRC in June 2002, a Master of Science degree in Preventive Veterinary from Yangzhou University* (揚州大學) in the PRC in June 2005.

Dr. Liu Zhenyu (柳振宇), aged 47, has been appointed as chief executive officer of the Company, subject to retirement by rotation on yearly basis, with effect from August 2, 2020 and is primarily responsible for overseeing the Company's daily operations. He completed his term of duty on December 31, 2022 and will remain as a rotating chief executive officer of the Company. He is a member of our Sanctions Risk Control Committee.

Dr. Liu, obtained his Bachelor in Science degree in biochemistry and molecular biology from Nankai University* (南開大學) in the PRC in June 1998, a Master in Science degree in neurophysiology from Peking University* (北京大學) in the PRC in June 2001 and a Doctor of Philosophy degree in neurobiology from University of Pittsburgh School of Medicine in the U.S. in November 2007.

Dr. Liu has over 12 years of management experience in the life-science and biologics development industry. Dr. Liu joined the Group in May 2009. From May 2009 to August 2015, Dr. Liu served in a number of positions at the Group, including as a senior scientist of discover biology, a director of bioprocess development and a director of institute of biotechnology research. From September 2015 to April 2019, Dr. Liu worked as the general manager of the reagent service business unit. From January 2017 to April 2019, Dr. Liu served as the president of biosciences group. From April 2019 to August 2020, he worked as the president of European division of the Company. He was appointed as the rotating chief executive officer of the Company in August 2020. Dr. Liu is currently a director of CustomArray Inc. and the chairman of the board of directors of Probio Technology Limited.

Prior to joining the Group, Dr. Liu was a postdoctoral scholar at David Geffen School of Medicine of University of California, Los Angeles from November 2007 to May 2009.

Directors and Senior Management

Mr. Wei Shiniu (魏師牛), aged 43, was appointed as the chief financial officer of the Company on December 1, 2021 and is primarily responsible for the Company's overall financial operation management. Mr. Wei joined the Group in September 2019 as vice president of strategy and investor relations. He was appointed as member of the Sanctions Risk Control Committee with effect from March 19, 2022.

Prior to joining the Group, Mr. Wei worked as an executive director of secondary market investment department in Fosun Insurance Group in New York from 2017 to 2019. He served as an equity investment analyst and a portfolio manager in Investment Strategies Fund from 2010 to September 2016. From 2009 to May 2010, he worked as an analyst at Protocol Capital Management and prior to that, he worked as a researcher of Research Foundation at the City University of New York.

Mr. Wei obtained his Bachelor of Science degree in Biochemistry from Nanjing University* (南京大學) in 2000 and his Master degree in Business Administration from Baruch College in 2011.

Dr. Ying Huang (黃穎), aged 50, is the director, chief executive officer of Legend. He was appointed as the chief executive officer of Legend with effect from November 6, 2020 and is primarily responsible for all aspects of Legend operations including research and development, clinical, manufacturing, regulatory affairs, human resources, finance and operation, commercial, and business development activities. He was appointed as a Class I director of Legend with effect in December, 2021. He served as the chief financial officer of Legend from July 2019 to May 2022.

Dr. Huang joined Legend from Bank of America Merrill Lynch where he was a managing director and head of biotech equity research since 2014. Dr. Huang led a team of analysts who cover more than 30 biotech companies including Amgen, Gilead, Celgene, Biogen and others that encompass a wide range of therapeutic areas. His knowledge and expertise have been recognized by institutional investor survey as a top ranked biotech analyst on Wall Street. Dr. Huang has been a biotech analyst since 2007 and previous worked at Wells Fargo (formerly Wachovia), Credit Suisse, Gleacher and Barclays before Bank of America Merrill Lynch.

Prior to his Wall Street career, Dr. Huang was a principal scientist at Schering-Plough (now Merck & Co.). He worked in the department of chemical research focusing on small molecule drug discovery in the therapeutic areas of cardiovascular & CNS. He is co-author of multiple patents and peer reviewed publications.

Dr. Huang holds a Ph.D. in bio-organic chemistry from Columbia University. He also studied in the Special Class for Gifted Young at University of Science and Technology of China and Columbia Business School.

REPORT OF THE DIRECTORS

The Board is pleased to present the report of the Directors together with the audited consolidated financial statements of the Group for the year ended December 31, 2022.

CORPORATE INFORMATION AND GLOBAL OFFERING

The Company was incorporated in the Cayman Islands on May 21, 2015 as an exempted company with limited liability under the laws of the Cayman Islands. The Shares were listed on the Main Board of the Stock Exchange on December 30, 2015 (the "**Listing**" or the "**Listing Date**").

PRINCIPAL ACTIVITIES

The Company is a well-recognized life-science research and application service and product provider that applies its proprietary technology to various fields from basic life-science research to translational biomedical development, industrial synthetic products, and cell therapeutic solutions. The broad and integrated life-science research and application service and product portfolio comprises main four segments, namely, (i) life-science services and products, (ii) biologics development services, (iii) industrial synthetic biology products, and (iv) cell therapy. The services and products are primarily used by scientists and researchers for conducting fundamental life-science research, translational biomedical research, and early stage pharmaceutical development. Its development services are used by biopharmaceutical and biotech companies for the development of therapeutic antibodies, and gene or cell therapy products with an integrated platform. Its industrial synthetic biology products are also used by industry users of industrial enzymes, such as those in the food and feed industries. Its cell therapy products are used to treat refractory diseases including cancer and inflammatory diseases. Our customers are primarily located in North America, Europe, the PRC, Japan and the other Asia Pacific regions. The analysis of the principal activities of the Company's subsidiaries are set out in note 1 to the financial statements.

RESULTS AND APPROPRIATIONS

The consolidated results of the Group for the year ended December 31, 2022 are set out on pages 109 and 110 of this annual report.

FINAL DIVIDEND

In order to retain resources for the Group's business development, the Board did not recommend the payment of final dividend for the year ended December 31, 2022.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement of shareholders to attend and vote at the forthcoming AGM to be held on Thursday, May 25, 2023, the register of members of the Company will be closed from Monday, May 22, 2023 to Thursday, May 25, 2023 (both dates inclusive), during which period no transfer of shares will be registered. All transfer documents, accompanied by the relevant share certificates, shall 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, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, May 19, 2023.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years is set out on page 8 of this annual report. This summary does not form part of the audited consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

The revenue attributable to the top five customers of 2022 accounted for 11.4% of the Company's operating income for the year ended December 31, 2022. The revenue from the largest single customer, accounted for 8.0% of the Company's operating income for the year ended December 31, 2022.

Major Suppliers

In 2022, the turnover attributable to the top five suppliers accounted for 25.0% of the Company's total purchases for the year ended December 31, 2022. The turnover of the largest single supplier, accounted for 9.9% of the Company's total purchases for the year ended December 31, 2022.

During the Reporting Period, to the knowledge of the Directors, none of the Directors or any of their close associates or any shareholders (which to the knowledge of the Directors own more than 5.0% of the Company's issued share capital) had an interest in any of the Company's top five customers or suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant, and equipment of the Group during the Year are set out in note 13 to the financial statements in this annual report.

SHARE CAPITAL

As of December 31, 2022, 2,115,207,284 ordinary shares were issued. Details of movements in the share capital of the Company during the year ended December 31, 2022 are set out in note 35 to the financial statements in this annual report.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in the consolidated statement of changes in equity on pages 114 and 115 in this annual report.

DISTRIBUTABLE RESERVES

As of December 31, 2022, the Company did not have any distributable reserves (as of December 31, 2021: nil).

Report of the Directors

DIRECTORS

The Directors during the year ended December 31, 2022 and up to the date of this annual report were:

Executive Directors

Dr. Zhang Fangliang (Appointed as a non-executive Director with effect from May 2, 2022 and re-designated as an executive Director with effect from December 17, 2022)
Mr. Meng Jiange *(Chairman)*
Ms. Wang Ye *(President)*
Dr. Zhu Li *(Chief Strategy Officer)*

Non-executive Directors

Dr. Wang Luquan
Mr. Pan Yuexin
Ms. Wang Jiafen

Independent Non-executive Directors

Mr. Guo Hongxin
Mr. Dai Zumian
Mr. Pan Jiuan
Dr. Wang Xuehai

Pursuant to the memorandum and articles of association of the Company (the "**Articles**"), each of Ms. Wang Jiafen, Mr. Dai Zumian, Mr. Pan Jiuan and Dr. Wang Xuehai will retire at the AGM and, being eligible, will offer themselves for re-election. Biographical details of the Directors to be re-elected at the AGM will be set out in the circular dated May 2, 2023 to the shareholders.

DIRECTORS' PROFILES

Biographical details of Directors and senior management of the Company is set out on pages 43 to 52 in this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into service contracts with the Company for a fixed term of three years commencing on December 17, 2022 for Dr. Zhang Fangliang, that on December 1, 2021 for Mr. Meng Jiange and Ms. Wang Ye, and that on November 22, 2020 for Dr. Zhu Li. Their appointments can be terminated before the expiration of the term by not less than six months' notice in writing served by either party on the other.

Each of the non-executive Directors has signed appointment letters with the Company for a term of three years. The effective date of the appointments of Dr. Wang Luquan and Mr. Pan Yuexin is August 24, 2021, and that of Ms. Wang Jiafen is November 26, 2021. Their appointments are subject to termination in accordance with their respective terms. The appointment letter for the appointment of Dr. Zhang as a non-executive Director entered into between Dr. Zhang and Company has been terminated by mutual consent with effect from December 17, 2022.

Each of the independent non-executive Directors has signed appointment letters with the Company for a term of three years. The effective date of the appointment of Mr. Guo Hongxin and Mr. Dai Zumian is August 24, 2021, that of Mr. Pan Jiuan is November 26, 2021, and that of Dr. Wang Xuehai is November 22, 2020. Their appointments are subject to termination in accordance with their respective terms.

Save as disclosed herein, none of the Directors has entered into any service contract with the Group that is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

None of the Company or any of its subsidiaries entered into, whether directly or indirectly, any transactions, arrangements and contracts of significance that a Director had a material interest in, that was related to the Company's business, and/or that subsisted during and up to the end of the Year.

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 Year.

REMUNERATION POLICIES

The Group's remuneration policy and structure for remuneration of the Directors and senior management of the Group are based on the Group's operating results, individual performance and comparable market statistics, and are reviewed by the Remuneration Committee periodically.

The remuneration of the non-executive Directors is recommended by the Remuneration Committee and is decided by the Board while the remuneration of the executive Directors is decided by the Remuneration Committee, having regard to the merit, qualifications, and competence of individual directors, the Group's operating results, and comparable market statistics.

The Company has also adopted the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme, the 2019 RSA Scheme and the 2021 RSA Scheme. Legend has adopted the Legend Share Option Scheme and Legend Restricted Shares Plan. Probio has adopted the Probio RSUA Scheme. The purpose of the Share Option Schemes and the RSA Schemes is to enable us to grant options or restricted shares to selected participants as incentives or rewards for their contributions. The Directors consider that the Share Option Schemes and the RSA Schemes, with its broad basis of participation, will enable the Group to reward its employees, Directors, and other selected participants for their contributions.

No further share options have been granted under the Pre-IPO Share Option Scheme since the Company was listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

During the Reporting Period, no share options have been granted under the Post-IPO Share Option Scheme.

During the Reporting Period, 164,361 restricted shares, 669,529 restricted shares and 22,626 restricted shares were granted under the 2019 RSA Scheme on January 10, 2022, March 22, 2022 and May 26, 2022, respectively. Please refer to our announcements dated January 10, 2022, March 23, 2022 and May 27, 2022 for details. Save as disclosed, no other restricted shares have been granted under the 2019 RSA Scheme during the Reporting Period.

During the Reporting Period, 1,734,602 restricted shares, 2,224,402 restricted shares and 255,390 restricted shares were granted and accepted under the 2021 RSA Scheme on March 22, 2022, May 26, 2022 and September 2, 2022, respectively. Please refer to our announcements dated March 23, 2022, May 27, 2022 and September 2, 2022 for details. Save as disclosed, no other restricted shares have been granted under the 2021 RSA Scheme during the Reporting Period.

If all of the restricted shares (i.e. 4,214,394 restricted shares) granted by the Company during the Reporting Period vest, there would be a dilution effect on the shareholding of Shareholders of approximately 0.20% as at December 31, 2022.

Each of the Legend Share Option Scheme, Legend Restricted Shares Plan and Probio RSUA Scheme is not subject to the provision of Chapter 17 of the Listing Rules, as each of Legend and Probio Cayman is not a principal subsidiary of the Company pursuant to Rule 17.14 of the Listing Rules.

For details of the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme, the 2019 RSA Scheme and the 2021 RSA Scheme, please see the paragraph headed "Share Option Schemes" and "Restricted Share Award Schemes" below.

PERMITTED INDEMNITY PROVISION

The Articles provides that every Director is entitled to be indemnified out of the assets of the Company against all losses or liabilities which they may sustain or incur in or about the execution of the duties of their office or otherwise in relation thereto. A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the financial year. The Company had taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors and officers during the Reporting Period.

EQUITY-LINKED AGREEMENTS

Save for the Share Option Schemes and RSA Schemes of the Company as set out in this report, no equity-linked agreements were entered into by the Group, or existed during the year ended December 31, 2022.

SHARE OPTION SCHEMES

Summary of the Share Options Schemes

Details	Pre-IPO Share Option Scheme	Post-IPO Share Option Scheme
1. Purpose	To recognize and acknowledge the contributions that the eligible participants have or may have made to the Group and to provide the eligible participants with an opportunity to have a personal stake in the Company with a view to (1) attract skilled and experienced personnel; (2) incentivize them to remain with the Group; and (3) motivate them to strive for the future development and expansion of the Group by providing them with the opportunity to acquire equity interests in the Company.	To provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its shareholders as a whole. The Post-IPO Share Option Scheme will provide the Company with a flexible means of either retaining, incentivizing, rewarding, remunerating, compensating, and/or providing benefits to participants.
2. Participants	Directors, employees, or consultants of any member of the Group.	The Board may offer to grant an option to any participants as the Board may, in its absolute discretion, select.
3. Maximum number of Shares to be allotted	As of December 31, 2022, options to subscribe for Shares aggregate of 41,388,583 were outstanding, representing approximately 1.957% of the issued share capital of the Company as of December 31, 2022. No further option may be granted under the Pre-IPO Share Option Scheme. The total number of Shares available for issue under the Pre-IPO Share Option Scheme was 41,087,984 Shares, representing 1.941% of the issued Shares of the Company (i.e. 2,116,871,928 Shares) as of the date of this annual report.	The Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme shall not exceed 10% of the aggregate of the Shares in issue on the date of the date the Shares commence trading on the Stock Exchange, being 160,000,000 Shares. The total number of Shares available for issue under the Post-IPO Share Option Scheme was 49,752,637 Shares, representing 2.350% of the issued Shares of the Company (i.e. 2,116,871,928 Shares) as of the date of this annual report.
4. Maximum — entitlement of each participant	—	1% of the issued share capital of the Company from time to time within any 12 month period up to the date of the latest grant.

Details	Pre-IPO Share Option Scheme	Post-IPO Share Option Scheme
5. The period within which the option may be exercised by the grantee	At any time and from time to time up to December 31, 2025	The period of time to be notified by the Board to each grantee at the time of making an offer, which shall be determined by the Board in its absolute discretion at the time of grant, but such period must not exceed 10 years from the date of grant of the relevant option. The terms of an offer may include any minimum periods for which an option must be held and/or any minimum performance targets that must be reached, before the options can be exercised in whole or in part, and may include at the discretion of the Board other terms imposed (or not imposed), either on a case by case basis or generally.
6. Time of acceptance and the amount payable on acceptance of option	On acceptance of the offer of the option, the participant shall execute and return an acceptance letter in accordance with the terms and conditions set by the Company.	An option shall remain open for acceptance by the participant concerned for a period of 21 days from the date of the offer. HK$1.00 is payable by the grantee to the Company on acceptance of the offer of the option.
7. Basis of determining he exercise price	From US$0.003 to US$0.103	The subscription price shall be no less than the highest of: 1. the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant; 2. the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date 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 of the Shares on the Stock Exchange); and 3. the nominal value of a Share on the date of grant.
8. Remaining life of the scheme	The Pre-IPO Share Option Scheme expired on December 30, 2015.	It shall be valid and effective for a period of ten years commencing on December 7, 2015

A. Pre-IPO Share Option Scheme

The Company adopted the Pre-IPO Share Option Scheme by a resolution of the then sole shareholder of the Company on July 15, 2015. No further share options are granted under the Pre-IPO Share Option Scheme after the Listing.

Set out below are details of the outstanding share options under the Pre-IPO Share Option Scheme:

					Number of share options					
Category/ Name of Grantee	Date of Grant	Vesting Period	Exercise Period	Exercise Price per Share (US$)	Outstanding as at January 1, 2022	Granted during the Year	Cancelled during the Year	Lapsed during the Year	Exercised during the Year[1]	Outstanding as at December 31, 2022
Directors of the Company										
Meng Jiange	January 30, 2015	January 30, 2016–July 31, 2025 January 30, 2017–July 31, 2025 January 30, 2018–July 31, 2025 January 30, 2019–July 31, 2025 January 30, 2020–July 31, 2025	January 30, 2016–July 31, 2025	0.077	1,843,320	—	—	—	—	1,843,320
Wang Ye	March 20, 2014	December 31, 2014–July 31, 2025 December 31, 2015–July 31, 2025 December 31, 2016–July 31, 2025	December 31, 2014–July 31, 2025	0.062	44,762,194	—	—	—	6,612,194	38,150,000
Other employees										
Employees	October 17, 2005–March 30, 2015	October 17, 2008–December 31, 2025	October 17, 2008–December 31, 2025	0.003–0.103	1,664,170	—	—	—	268,907	1,395,263
					48,269,684	—	—	—	6,881,101	41,388,583

Notes:

1. The weighted average closing price of the Shares immediately before the dates on which the options were exercised was HK$27.12.

2. For further details of the Pre-IPO Share Option Scheme, please refer to Appendix V "Statutory and General Information" of the prospectus of the Company and note 36 to the financial statements in this annual report.

B. Post-IPO Share Option Scheme

The Company approved and adopted the Post-IPO Share Option Scheme by written resolutions of its then sole shareholder on December 7, 2015. The Post-IPO Share Option Scheme is subject to the requirements under Chapter 17 of the Listing Rules.

No share options were granted under the Post-IPO Share Option Scheme during the Reporting Period.

77,136,215 share options and 80,374,200 share options remained available for grant under the scheme mandate of the Post-IPO Share Option Scheme as at January 1, 2022 and December 31, 2022, respectively.

Set out below are details of the outstanding options under the Post-IPO Share Option Scheme:

						Number of share options					
Category/ Name of Grantee	Date of Grant	Vesting Period	Exercise Period	Exercise Price per Share HK$	Closing Price per Share immediately before the date of grant HK$	Outstanding as at January 1, 2022	Granted during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Exercised during the Reporting Period[Note 1]	Outstanding as at December 31, 2022
Directors of the Group											
Zhu Li	October 11, 2017	December 31, 2019–October 10, 2027 December 31, 2020–October 10, 2027 December 31, 2021–October 10, 2027 December 31, 2022–October 10, 2027 December 31, 2023–October 10, 2027	December 31, 2019–October 10, 2027	8.33	8.07	734,000	–	–	100,000	–	634,000
Pan Yuexin	November 29, 2018	November 29, 2018–November 28, 2023 November 29, 2019–November 28, 2023 November 29, 2020–November 28, 2023 November 29, 2021–November 28, 2023 November 29, 2022–November 28, 2023	November 29, 2018–November 28, 2023	14.04	14.32	400,000	–	–	–	–	400,000
	September 1, 2020	September 1, 2020–August 31, 2025 September 1, 2021–August 31, 2025 September 1, 2022–August 31, 2025	September 1, 2020–August 31, 2025	15.00	14.98	60,000	–	–	–	–	60,000

Report of the Directors

Category/ Name of Grantee	Date of Grant	Vesting Period	Exercise Period	Exercise Price per Share HK$	Closing Price per Share immediately before the date of grant HK$	Number of share options: Outstanding as at January 1, 2022	Granted during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Exercised during the Reporting Period[Note 1]	Outstanding as at December 31, 2022
Wang Jiafen	September 1, 2020	September 1, 2020–August 31, 2025 November 25, 2020–August 31, 2025 September 1, 2021–August 31, 2025 November 25, 2021–August 31, 2025 September 1, 2022–August 31, 2025	September 1, 2020–August 31, 2025	15.00	14.98	270,000	–	–	–	–	270,000
Guo Hongxin	November 29, 2018	November 29, 2018–November 28, 2023 November 29, 2019–November 28, 2023 November 29, 2020–November 28, 2023 November 29, 2021–November 28, 2023 November 29, 2022–November 28, 2023	November 29, 2018–November 28, 2023	14.04	14.32	400,000	–	–	–	–	400,000
	September 1, 2020	September 1, 2020–August 31, 2025 September 1, 2021–August 31, 2025 September 1, 2022–August 31, 2025	September 1, 2020–August 31, 2025	15.00	14.98	60,000	–	–	–	–	60,000
Dai Zumian	November 29, 2018	November 29, 2018–November 28, 2023 November 29, 2019–November 28, 2023 November 29, 2020–November 28, 2023 November 29, 2021–November 28, 2023 November 29, 2022–November 28, 2023	November 29, 2018–November 28, 2023	14.04	14.32	381,000	–	–	–	–	381,000
	September 1, 2020	September 1, 2020–August 31, 2025 September 1, 2021–August 31, 2025 September 1, 2022–August 31, 2025	September 1, 2020–August 31, 2025	15.00	14.98	58,000	–	–	–	–	58,000

Category/ Name of Grantee	Date of Grant	Vesting Period	Exercise Period	Exercise Price per Share HK$	Closing Price per Share immediately before the date of grant HK$	Number of share options: Outstanding as at January 1, 2022	Granted during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Exercised during the Reporting Period[Note 1]	Outstanding as at December 31, 2022
Pan Jiuan	September 1, 2020	September 1, 2020– August 31, 2025 November 25, 2020– August 31, 2025 September 1, 2021– August 31, 2025 November 25, 2021– August 31, 2025 September 1, 2022– August 31, 2025	September 1, 2020– August 31, 2025	15.00	14.98	270,000	–	–	–	–	270,000
Wang Xuehai	December 28, 2020	November 21, 2021– December 27, 2025 November 21, 2022– December 27, 2025 November 21, 2023– December 27, 2025	November 21, 2021– December 27, 2025	12.10	11.36	210,000	–	–	–	–	210,000
Chief executive of the Company											
Shao Weihui *(Appointed as a rotating chief executive officer with effect from January 1, 2023)*	April 25, 2017	April 25, 2021– April 24, 2027 April 25, 2024– April 24, 2027	April 25, 2021– April 24, 2027	3.512	3.45	2,000,000	–	–	–	–	2,000,000
Liu Zhenyu	June 22, 2016	June 22, 2019– June 21, 2026 June 22, 2020– June 21, 2026 June 22, 2021– June 21, 2026 June 22, 2022– June 21, 2026 June 22, 2023– June 21, 2026	June 22, 2019– June 21, 2026	1.204	1.21	5,000,000	–	–	–	–	5,000,000

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Category/ Name of Grantee	Date of Grant	Vesting Period	Exercise Period	Exercise Price per Share HK$	Closing Price per Share immediately before the date of grant HK$	Number of share options: Outstanding as at January 1, 2022	Granted during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Exercised during the Reporting Period[Note 1]	Outstanding as at December 31, 2022
Senior management of the Company											
Wei Shiniu	November 29, 2019	November 29, 2020–November 28, 2029 November 29, 2021–November 28, 2029 November 29, 2022–November 28, 2029 November 29, 2023–November 28, 2029 November 29, 2024–November 28, 2029	November 29, 2020–November 28, 2029	19.132	19.54	300,000	—	—	—	—	300,000
	December 28, 2020	December 28, 2021–December 27, 2030 December 28, 2022–December 27, 2030 December 28, 2023–December 27, 2030 December 28, 2024–December 27, 2030 December 28, 2025–December 27, 2030	December 28, 2021–December 27, 2030	12.10	11.36	400,000	—	—	—	50,000	350,000
Other employees	June 22, 2016	June 22, 2016–June 21, 2026	June 22, 2016–June 21, 2026	1.204	1.21	2,902,672	—	—	—	27,206	2,875,466
	September 23, 2016	September 23, 2017–September 22, 2026	September 23, 2017–September 22, 2026	2.406	2.3	4,286,000	—	—	—	755,000	3,531,000
	April 25, 2017	April 25, 2019–April 24, 2027	April 25, 2019–April 24, 2027	3.512	3.45	13,872,000	—	—	30,000	3,506,050	10,335,950
	October 11, 2017	July 25, 2018–October 10, 2027	July 25, 2018–October 10, 2027	8.33	8.07	7,154,000	—	—	700,000	625,500	5,828,500
	November 20, 2017	December 31, 2019–November 19, 2027	December 31, 2019–November 19, 2027	9.35	8.91	3,233,000	—	—	380,000	544,500	2,308,500
	May 4, 2018	January 1, 2019–May 3, 2028	January 1, 2019–May 3, 2028	26.46	26.65	7,636,904	—	—	535,714	—	7,101,190
	November 29, 2018	November 29, 2019–November 28, 2028	November 29, 2019–November 28, 2028	14.04	14.32	156,000	—	—	20,000	10,000	126,000
	July 19, 2019	July 19, 2020–July 18, 2029	July 19, 2020–July 18, 2029	18.30	17.86	3,041,000	—	280,000	15,000	235,000	2,511,000
	November 29, 2019	November 29, 2020–November 28, 2029	November 29, 2020–November 28, 2029	19.132	19.54	2,840,000	—	—	225,000	254,000	2,361,000
	April 29, 2020	April 29, 2021–April 28, 2030	April 29, 2021–April 28, 2030	13.84	13.698	4,067,000	—	—	915,000	361,500	2,790,500
	December 28, 2020	December 28, 2021–December 27, 2030	December 28, 2021–December 27, 2030	12.10	11.36	1,000,000	—	—	220,000	30,000	750,000
	March 31, 2021	March 31, 2022–March 30, 2031	March 31, 2022–March 30, 2031	13.892	14.04	100,000	—	—	—	—	100,000
	May 31, 2021	May 31, 2022–May 30, 2031	May 31, 2022–May 30, 2031	30.45	27.35	343,029	—	—	97,271	—	245,758
Total:						61,174,605	—	280,000	3,237,985	6,398,756	51,257,864

Notes:

1. The weighted average closing price of the Shares immediately before the dates on which the options were exercised was HK$27.49.

2. For further details of the Post-IPO Share Option Scheme, please refer to Appendix V "Statutory and General Information" of the Prospectus and note 36 to the financial statements in this annual report.

RESTRICTED SHARE AWARD SCHEMES

2019 RSA Scheme

The Company adopted its 2019 RSA Scheme on March 22, 2019 (the "**2019 RSA Scheme Adoption Date**") for the purposes to (i) provide the eligible persons with the opportunity to acquire proprietary interests in the Company, (ii) encourage the eligible persons to work towards enhancing the value of the Company and its Shares or the benefit of the Company and its Shareholders as a whole, and (iii) provide the Company with a flexible means of either retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to any Director or employee of the Company or any of its subsidiaries.

The total number of the restricted shares underlying all grants made pursuant to the 2019 RSA Scheme and 2021 RSA Scheme shall not exceed ten percent (i.e. 183,721,269 Shares) of the issued share capital of the Company as at the 2019 RSA Scheme Adoption Date. As of the date of this annual report, all the Shares that may be transferred to the grantees upon satisfaction of the relevant vesting conditions have been (i) acquired by the Trustee (as defined below) on the market, or (ii) issued and allotted to the Trustee (as defined below).

The 2019 RSA Scheme will initially be valid and effective for a period of ten years commencing on the 2019 RSA Scheme Adoption Date.

The Company and Computershare Hong Kong Trustees Limited as the trustee (the "**Trustee**") entered into the trust deed in respect of the appointment of the Trustee for the administration of the 2019 RSA Scheme (the "**2019 Trust Deed**"). Pursuant to the 2019 RSA Scheme, the Shares that may be offered by the Company to any selected participant will be satisfied by (i) existing shares to be acquired by the Trustee on the market, and/or (ii) new shares to be allotted and issued to the Trustee. The restricted shares should be held by the Trustee in according with the Listing Rules and the 2019 Trust Deed until the end of the relevant vesting date and be transferred to the grantees upon satisfaction of the relevant vesting conditions as may specified by the Board at the time of making the grant of restricted shares.

For more details of the 2019 RSA Scheme, please refer to the Company's announcement dated March 22, 2019.

During the Reporting Period, 164,361 restricted shares, 669,529 restricted shares and 22,626 restricted shares were granted under the 2019 RSA Scheme on January 10, 2022, March 22, 2022 and May 26, 2022, respectively. Please refer to our announcements dated January 10, 2022, March 23, 2022 and May 27, 2022 for details. Save as disclosed, no other restricted shares have been granted under the 2019 RSA Scheme during the Reporting Period.

For the fair value of the restricted shares granted during the Reporting Period at the grant date and the accounting standard and policy adopted, please refer to notes 2.5 and 37 to the financial statements.

Certain restricted shares will be satisfied by the existing shares that have been acquired by the Trustee through on-market transactions. Certain restricted shares were issued by the Company and allotted to the Trustee under the general mandate granted by the shareholders of the Company on 28 May, 2021 and in accordance with the terms of the 2019 RSA Scheme.

170,556,094 restricted shares and 167,667,287 restricted shares remained available for grant under the 2019 RSA Scheme and 2021 RSA Scheme as at January 1, 2022 and December 31, 2022, respectively.

Set out below are details of the outstanding shares under the 2019 RSA Scheme:

				Number of shares				
Category/Name of Grantee	**Date of Grant**	**Vesting Period (subject to other conditions in the 2019 RSU Scheme)**	**Closing Price per Share Immediately Before the Date of Grant** (HK$)	**Outstanding as at January 1, 2022**	**Granted during the Reporting Period**	**Vesting During the Reporting Period**[Note 1]	**Lapsed during the Reporting Period**	**Outstanding as at December 31, 2022**
Director								
Meng Jiange	December 28, 2020	In five equal installments annually between December 28, 2021 and December 28, 2025	11.36	320,000	—	80,000[Note 2]	—	240,000
Wang Ye	May 31, 2021	In five equal installments annually between May 31, 2022 and May 31, 2026	27.35	300,000	—	60,000	—	240,000
Zhu Li	December 28, 2020	In five equal installments annually between December 28, 2021 and December 28, 2025	11.36	160,000	—	40,000[Note 3]	—	120,000
	May 31, 2021	In five equal installments annually between May 31, 2022 and May 31, 2026	27.35	100,000	—	20,000	—	80,000
Chief Executive								
Shao Weihui *(appointed as a rotating chief executive officer with effect from January 1, 2023)*	May 31, 2021	In three equal installments annually between May 31, 2022 and May 31, 2024	27.35	83,025	—	27,675	—	55,350

Category/Name of Grantee	Date of Grant	Vesting Period (subject to other conditions in the 2019 RSU Scheme)	Closing Price per Share Immediately Before the Date of Grant (HK$)	Number of shares: Outstanding as at January 1, 2022	Granted during the Reporting Period	Vesting During the Reporting Period[Note 1]	Lapsed during the Reporting Period	Outstanding as at December 31, 2022
Liu Zhenyu	April 29, 2020	In two equal installments annually between April 29, 2021 and April 29, 2022	13.698	5,375	—	5,375	—	—
	May 31, 2021	In two equal installments annually between May 31, 2022 and May 31, 2023	27.35	15,524	—	7,762	—	7,762
	January 10, 2022[Note 4]	In five installments annually between January 10, 2023 and January 10, 2027	31.15	—	164,361	—	—	164,361
	March 22, 2022[Note 4]	In five installments annually between March 22, 2023 and on March 22, 2027	25.10	—	588,016	—	—	588,016
	May 26, 2022	In two equal installments annually between May 26, 2023 and May 26, 2024	20.65	—	22,626	—	—	22,626
Senior Management								
Wei Shiniu	April 29, 2020	In two annual installments with the last batch on April 29, 2022	13.698	1,810	—	1,810	—	—
	December 28, 2020	In five annual installments with the last batch on December 28, 2025	11.36	320,000	—	80,000	—	240,000
	March 31, 2021	In two annual installments with the last batch on March 31, 2023	14.04	25,478	—	12,739	—	12,739
	May 31, 2021	In three annual installments with the last batch on May 31, 2024	27.35	52,612	—	17,673	—	34,939

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Category/Name of Grantee	Date of Grant	Vesting Period (subject to other conditions in the 2019 RSU Scheme)	Closing Price per Share Immediately Before the Date of Grant (HK$)	Number of shares: Outstanding as at January 1, 2022	Granted during the Reporting Period	Vesting During the Reporting Period(Note 1)	Lapsed during the Reporting Period	Outstanding as at December 31, 2022
Other Employees	July 19, 2019	In three to five annual installments with the last batch on July 19, 2024	17.86	559,867	—	204,315	355,552	—
	November 29, 2019	In five annual installments with the last batch on November 29, 2024	19.54	90,000	—	—	90,000	—
	April 29, 2020	In two to five annual installments with the last batch on April 29, 2025	13.698	562,814	—	167,786	90,000	305,028
	September 1, 2020	In two annual installments with the last batch on September 1, 2022	14.98	21,148	—	20,432	716	—
	December 28, 2020	In one to five annual installments with the last batch on December 28, 2025	11.36	1,471,831	—	477,460	709,436	284,935
	March 31, 2021	In two or three annual installments with the last batch on March 31, 2024	14.04	185,552	—	87,048	4,492	94,012
	May 31, 2021	In one to three annual installments with the last batch on May 31, 2024	27.35	5,320,768	—	1,756,310	523,613	3,040,845
	August 27, 2021	In two to three annual installments with the last batch on August 27, 2024	37.15	137,441	—	39,870	35,170	62,401
	December 10, 2021	In one to three annual installments with the last batch on December 10, 2024	41.8	246,915	—	73,567	28,524	144,824
	March 22, 2022	In two annual installments with the last batch on March 22, 2024	25.10	—	81,513	—	—	81,513
Total				9,980,160	856,516	3,179,822	1,837,503	5,819,351

Notes:

(1) The weighted average closing price of the Shares immediately before the dates on which the restricted shares were vested was HK$23.02.

(2) 80,000 restricted shares were scheduled to vest on December 28, 2022 and such shares were transferred to Mr. Meng Jiange on January 4, 2023.

(3) 40,000 restricted shares were scheduled to vest on December 28, 2022 and such shares were transferred to Dr. Zhu Li on January 4, 2023.

(4) The vesting conditions of the restricted shares granted to Dr. Liu Zhenyu on January 10, 2022 and March 22, 2022 include without limitation, (i) Dr. Liu having met his own key performance criteria, and/or (ii) the Company's business goals have been achieved.

2021 RSA Scheme

The Company approved and adopted the 2021 RSA Scheme on August 23, 2021 (the "**2021 RSA Scheme Adoption Date**") to grant restricted shares to (i) Director or employee of the Company or any of its subsidiaries, and (ii) any person or entity who has made significant contribution, or will potentially make significant contribution to the development of the Group.

The purpose of the 2021 RSA Scheme is to (i) provide the selected participants with the opportunity to acquire proprietary interests in the Company, (ii) encourage the selected participants to work towards enhancing the value of the Company and its Shares or the benefit of the Company and its Shareholders as a whole, and (iii) provide the Company with a flexible means of either retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to the selected participants.

The total number of the restricted shares underlying all grants made pursuant to the 2021 RSA Scheme and the 2019 RSA Scheme shall not exceed in total ten percent (i.e. 183,721,269 Shares) of the Company's issued share capital as at the adoption date of the 2019 RSA Scheme. The total number of Shares issuable upon vesting of all restricted shares granted under the 2021 RSA Scheme was 7,829,650 Shares, representing 0.37% of the issued Shares of the Company (i.e. 2,116,871,928 Shares) as of the date of this annual report.

The 2021 RSA Scheme will initially be valid and effective for a period of ten years commencing on the 2021 RSA Scheme Adoption Date.

The Company and the Trustee entered into the trust deed in respect of the appointment of the Trustee for the administration of the 2021 RSA Scheme (the "**2021 Trust Deed**"). Pursuant to the 2021 RSA Scheme, the Shares that may be offered by the Company to any selected participant will be satisfied by (i) existing shares to be acquired by the Trustee on the market, and/or (ii) new shares to be allotted and issued to the Trustee or the grantees. Certain restricted shares should be held by the Trustee in according with the Listing Rules and the 2021 Trust Deed until the end of the relevant vesting date and be transferred to the grantees upon satisfaction of the relevant vesting conditions as may specified by the Board at the time of making the grant of restricted shares.

For more details of the 2021 RSA Scheme, please refer to the Company's announcements dated August 24, 2021 and May 26, 2022.

During the Reporting Period, 1,734,602 restricted shares, 2,224,402 restricted shares and 255,390 restricted shares (collectively, the "**2021 RSA Shares**") were granted and accepted under the 2021 RSA Scheme on March 22, 2022, May 26, 2022 and September 2, 2022, respectively. Please refer to our announcements dated March 23, 2022, May 27, 2022 and September 2, 2022 for details. Save as disclosed, no other restricted shares have been granted under the 2021 RSA Scheme during the Reporting Period.

For the fair value of the restricted shares granted during the Reporting Period at the grant date and the accounting standard and policy adopted, please refer to notes 2.5 and 37 to the financial statements.

Certain 2021 RSA Shares will be issued by the Company and allotted to the Trustee under the general mandate granted by the shareholders of the Company on May 28, 2021 or May 27, 2022 and in accordance with the terms of the 2021 RSA Scheme, subject to the fulfillment of customary conditions.

170,556,094 restricted shares and 167,667,287 restricted shares remained available for grant under the 2019 RSA Scheme and 2021 RSA Scheme as at January 1, 2022 and December 31, 2022, respectively.

Set out below are details of the outstanding shares under the 2021 RSA Scheme:

				Number of shares				
Category/Name of Grantee	**Date of Grant**	**Vesting Period (subject to other conditions in the 2021 RSU Scheme)**	**Closing Price per Share Immediately Before the Date of Grant** (HK$)	**Outstanding as at January 1, 2022**	**Granted during the Reporting Period**	**Vesting During the Reporting Period**(Note 1)	**Lapsed during the Reporting Period**	**Outstanding as at December 31, 2022**
Chief Executive								
Shao Weihui *(appointed as a rotating chief executive officer with effect from January 1, 2023)*	March 22, 2022(Note 2)	In five installments annually between March 22, 2023 and March 22, 2027	25.10	—	137,007	—	—	137,007
Senior Management								
Wei Shiniu	March 22, 2022(Note 3)	In five annual installments with the last batch on March 22, 2027	25.10	—	224,611	—	—	224,611
	May 26, 2022	In two annual installments with the last batch on May 26, 2024	20.65	—	13,776	—	—	13,776
Other Employees	December 10, 2021	In three annual installments with the last batch on December 10, 2024	41.8	1,394,558	—	384,345	113,282	896,931
	March 22, 2022(Note 3)	In two or three annual installments with the last batch on March 22, 2025	25.10	—	1,372,984	—	122,538	1,250,446
	May 26, 2022(Note 4)	In two or three annual installments with the last batch on May 26, 2025	20.65	—	2,210,626	—	108,780	2,101,846
	September 2, 2022(Note 5)	In two or three annual instalments with the last batch on September 2, 2025	24.8	—	255,390	—	—	255,390
Total				1,394,558	4,214,394	384,345	344,600	4,880,007

Notes:

(1) The weighted average closing price of the Shares immediately before the dates on which the restricted shares were vested was HK$23.95.

(2) The vesting conditions of certain restricted shares granted to Ms. Shao Weihui on March 22, 2022 include without limitation, (i) Ms. Shao Weihui having met her respective key performance criteria, and/or (ii) the Company's business goals have been achieved.

(3) The vesting conditions of certain restricted shares granted to senior management and other employees on March 22, 2022 include without limitation, (i) the grantees having met their respective key performance criteria, and/or (ii) the Company's business goals have been achieved.

(4) The vesting conditions of certain restricted shares granted to other employees on May 26, 2022 include without limitation, (i) the grantees having met their respective key performance criteria, and/or (ii) the Company's business goals have been achieved.

(5) The vesting conditions of certain restricted shares granted to other employees on September 2, 2022 include without limitation, (i) the grantees having met their respective key performance criteria, and/or (ii) the Company's business goals have been achieved.

REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of Directors and the five highest paid individuals are set out in note 8 and note 9 to the financial statements in this annual report.

CHANGES TO INFORMATION OF DIRECTORS AND CHIEF EXECUTIVES

Saved as disclosed in this annual report, there had been no change to any of the information required to be disclosed in relation to any Director or chief executive pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules that required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Dr. Zhang was appointed as a non-executive Director and the chairman of the Risk Management Committee and the Strategy Committee with effect from May 2, 2022. He has been redesignated from a non-executive Director to an executive Director with effect from December 17, 2022. Dr. Zhang was appointed as chairman and a director of Legend Biotech Corporation in August 2022, a director of Legend Biotech Limited in November 2022, a director of Legend Biotech HK Limited in November 2022, a director of Legend Biotech USA Inc. in November 2022, a director of Legend Biotech Belgium BV in November 2022, and a director of Probio Technology Limited in August 2022. Dr. Zhang has resigned as a director of Nanjing Jinsirui Biotechnology Co., Ltd.* (南京金斯瑞生物科技有限公司) in June 2022.

Mr. Meng Jiange resigned from the position of member of the Sanctions Risk Control Committee with effect from March 19, 2022. Mr. Meng was appointed as a director of Nanjing Bestzyme Bio-Engineering Co., Ltd.* (南京百斯杰生物工程有限公司) in September 2022.

Ms. Wang Ye was appointed as a director of Shandong Bestzyme Biotech Co., Ltd.* (山東百斯傑生物科技有限公司) in March 2023. Ms. Wang Ye has resigned as the chairperson of Legend Biotech Corporation in August 2022, a director of Legend Biotech Limited in November 2022, a director of Legend Biotech HK Limited in November 2022, a director of Legend Biotech (Netherlands) B.V. in November 2022, a director of Legend Biotech Ireland Limited in November 2022, a director of Legend Biotech USA Inc. in November 2022, a director of Legend Biotech Belgium BV in November 2022, and a member of the Sanction Risk Control Committee with effect from March 19, 2022.

Dr. Zhu Li was appointed as a director of GoldenStar Investment Incorporation in February 2022.

Mr. Pan Yuexin had been appointed as a member of the Strategy Committee with effect from May 2, 2022.

Ms. Wang Jiafen had been appointed as members of the Strategy Committee with effect from May 2, 2022. Ms. Wang has resigned as the director of Shanghai Xintonglian Packaging Co., Ltd. (上海新通聯包裝股份有限公司) (SHA: 603022) in June 2022.

Mr. Guo Hongxin had been appointed as a member of the Risk Management Committee with effect from May 2, 2022.

Mr. Dai Zumian had been appointed as the independent non-executive director of Beijing Hanyi Keyin Information Technology Co., Ltd.* (北京漢儀創新科技股份有限公司) (SZ: 301270), a company listed on the Growth Enterprise Market of the Shenzhen Stock Exchange from August 31, 2022, since September 2019. Mr. Dai was redesignated as the chairman of Shanghai Sanxi Information Technology Co., Ltd.* (上海三熙信息技術有限公司), previously named Shanghai Jiuli Information Services Co., Ltd.* (上海九曆信息服務有限公司), in March 2023.

Mr. Pan Jiuan had been appointed as members of the Risk Management Committee with effect from May 2, 2022.

Dr. Wang Xuehai resigned as the vice chairman of Hubei Federation of Industry and Commerce* (湖北省工商業聯合會) in June 2022 and as the vice chairman of Hubei Youth Federation* (湖北省青年聯合會) in August 2022.

Ms. Shao Weihui had been appointed as a rotating chief executive officer of the Company with effect from January 1, 2023 and a member of the Sanctions Risk Control Committee with effect from March 19, 2022.

Dr. Liu Zhenyu had been appointed as chairman and member of the Sanctions Risk Control Committee with effect from March 19, 2022. Dr. Liu was appointed as the chairman of the board of directors of Probio Technology Limited in August 2022.

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

As of December 31, 2022, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares, and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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 for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules, are set out as follows:

Long Positions in the Ordinary Shares and Underlying Shares of the Company as of December 31, 2022

Name	Capacity/Nature of Interest	Number of Shares held/ interested	Approximate Percentage of Shareholding* (%)
Director			
Zhang Fangliang (appointed as non-executive Director with effect from May 2, 2022 and redesignated as executive Director with effect from December 17, 2022)	Interests of controlled corporation(Note 1), parties acting in concert(Note 5) and founder of a discretionary trust(Note 2)	848,329,253	40.11
Meng Jiange	Beneficial owner(Note 3)	2,315,893	0.11
Wang Ye	Interests of controlled corporation(Note 4), parties acting in concert(Note 5), beneficial owner(Note 6), founder of a discretionary trust and trustee(Note 7)	848,329,253	40.11
Zhu Li	Beneficial owner(Note 8)	2,086,174	0.10
Wang Luquan	Interests of controlled corporation(Note 9), parties acting in concert(Note 5) and interests of spouse(Note 10)	848,329,253	40.11
Pan Yuexin	Beneficial owner(Note 11)	460,000	0.02
Wang Jiafen	Beneficial owner(Note 12)	270,000	0.01
Guo Hongxin	Beneficial owner(Note 13)	460,000	0.02
Dai Zumian	Beneficial owner(Note 14)	439,000	0.02
Pan Jiuan	Beneficial owner(Note 15)	270,000	0.01
Wang Xuehai	Beneficial owner(Note 16)	210,000	0.01
Chief Executive			
Shao Weihui *(appointed as a rotating chief executive officer with effect from January 1, 2023)*	Beneficial Owner(Note 17)	2,544,531	0.12
Liu Zhenyu	Beneficial Owner(Note 18)	5,827,198	0.28

* The percentage has been calculated based on 2,115,207,284 Shares in issue as at December 31, 2022.

Notes:

(1) As of December 31, 2022, Zhang Fangliang held approximately 18.38% of the issued share capital of GS Corp and was deemed, or taken to be interested in, all the Shares held by GS Corp for the purpose of the SFO.

Report of the Directors

(2) On October 12, 2017, Zhang Fangliang set up 2017 Fang Liang Zhang Trust (the "**Zhang Trust**"), an irrevocable discretionary family trust, with his three children and their respective living issue as beneficiaries. Jin Weihong, the spouse of Zhang Fangliang, is the trustee of the Zhang Trust. The Zhang Trust (through its trustee), held approximately 21.87% of the entire issued share capital of GS Corp and was deemed, or taken to be interested in, all the Shares held by GS Corp for the purpose of the SFO.

(3) Meng Jiange held 240,000 underlying Shares under the 2019 RSA Scheme, 1,843,320 underlying Shares under the options conditionally granted to him under the Pre-IPO Share Option Scheme and 232,573 Shares.

(4) Wang Ye held approximately 3.60% in the issued share capital of GS Corp. Pursuant to the GS Corp Shareholder Voting Agreement and for the purpose of the SFO, Wang Ye was deemed, or taken to be interested in, all the Shares held by GS Corp.

(5) On August 14, 2008, Zhang Fangliang, Wang Ye and Wang Luquan entered into the GS Corp Shareholder Voting Agreement, whereby Zhang Fangliang, Wang Ye and Wang Luquan agreed to vote unanimously in the shareholder meetings of GS Corp and, contemporaneously, proxies were conferred by Wang Luquan and Wang Ye to Zhang Fangliang authorising Zhang Fangliang to vote and exercise all voting and related rights with respect to the shares that each of Wang Luquan and Wang Ye beneficially owned in GS Corp, which held 808,577,123 Shares as of December 31, 2022. On May 29, 2015, Wu Yongmei signed a proxy agreement whereby she conferred all her voting and related rights in relation to all the shares that she owned in GS Corp, i.e. 108,625,000 shares of GS Corp to Zhang Fangliang.

(6) Wang Ye held 240,000 underlying Shares under the 2019 RSA Scheme, 38,150,000 underlying Shares under the options conditionally granted to her under the Pre-IPO Share Option Scheme and 86,130 Shares.

(7) On October 5, 2017, Wang Ye set up 2017 Wang Ye Family Trust (the "**Wang Trust**"), an irrevocable discretionary family trust, with her spouse, her son and his living issue as beneficiaries. Hu Zhiyong, the spouse of Wang Ye, is the trustee of the Wang Trust. The Wang Trust (through its trustee) held approximately 8.61% of the entire issued share capital of GS Corp and was deemed, or taken to be interested in, all the Shares held by GS Corp for the purpose of the SFO. On December 21, 2021, Wang Ye transferred 638,000 Shares to Ren-Shiu Foundation Inc., of which Wang Ye is the trustee.

(8) Dr. Zhu Li held 200,000 underlying Shares under the 2019 RSA Scheme, 634,000 underlying Shares under the options conditionally granted to him under the Post-IPO Share Option Scheme and 1,252,174 Shares.

(9) As of December 31, 2022, Wang Luquan held approximately 22.76% in the issued share capital of GS Corp. Pursuant to the GS Corp Shareholder Voting Agreement and for the purpose of the SFO, Wang Luquan was deemed, or taken to be interested in, all the Shares held by GS Corp.

(10) Wang Luquan is the spouse of Huang Lili. For the purpose of the SFO, Wang Luquan was deemed, or taken to be interested in all the Shares in which Huang Lili was interested, i.e. 638,000 Shares.

(11) Pan Yuexin held 460,000 underlying Shares under the options granted to him under the Post-IPO Share Option Scheme.

(12) Wang Jiafen held 270,000 underlying Shares under the options granted to him under the Post-IPO Share Option Scheme.

(13) Guo Hongxin held 460,000 underlying Shares under the options granted to him under the Post-IPO Share Option Scheme.

(14) Dai Zumian held 439,000 underlying Shares under the options granted to him under the Post-IPO Share Option Scheme.

(15) Pan Jiuan held 270,000 underlying Shares under the options granted to him under the Post-IPO Share Option Scheme.

(16) Wang Xuehai held 210,000 underlying Shares under the options granted to him under the Post-IPO Share Option Scheme.

(17) Shao Weihui held 2,000,000 underlying Shares under the options granted to her under the Post-IPO Share Option Scheme, 55,350 underlying Shares under the 2019 RSA Scheme and 137,007 Shares under the 2021 RSA Scheme and 352,174 Shares.

(18) Liu Zhenyu held 5,000,000 underlying Shares under the options granted to him under the Post-IPO Share Option Scheme, 782,765 underlying Shares under the 2019 RSA Scheme and 44,433 Shares.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Option Schemes" and "Restricted Share Award Schemes", no rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company were granted to any Director or their respective spouses or children under 18 years of age, nor were any such rights exercised by them, nor was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouses or children under 18 years of age, to acquire such rights in any other body corporate at any time during the Year.

SUBSTANTIAL SHAREHOLDERS' INTEREST IN SHARES

As of December 31, 2022, within the knowledge of the Directors, the following persons (other than the Directors or chief executive of the Company) had an interest or a short position in the Shares or underlying Shares that would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept pursuant to Section 336 of the SFO:

Long Position in the Ordinary Shares of the Company as of December 31, 2022

Name	Capacity/Nature of Interest	Number of Shares/underlying Shares held/ interested	Approximate Percentage of Shareholding* (%)
GS Corp(Note 1)	Beneficial owner	808,577,123	38.23
Jin Weihong(Note 2)	Interest in controlled corporation, parties acting in concert and trustee	848,329,253	40.11
Hu Zhiyong(Note 3)	Interest in controlled corporation, parties acting in concert and trustee	848,329,253	40.11
Huang Lili(Note 5)	Beneficial owner and interest in controlled corporation	848,329,253	40.11
GNS Holdings Limited(Note 6)	Beneficial owner	164,770,965	7.79
Hillhouse Management V, Ltd.(Note 6)	Interest in controlled corporation	164,770,965	7.79
Hillhouse Management, Ltd.(Note 6)	Investment manager	164,770,965	7.79
Hillhouse Fund V, L.P.(Note 6)	Interest in controlled corporation	164,770,965	7.79

* The percentage has been calculated based on 2,115,207,284 Shares in issue as at December 31, 2022

Notes:

(1) As at December 31, 2022, GS Corp is a company incorporated in the State of Delaware in the U.S. and owned as to approximately 18.38%, approximately 21.87%, approximately 22.76%, approximately 0.12%, approximately 3.80%, approximately 3.72%, approximately 3.72%, approximately 4.86%, approximately 6.44%, approximately 3.60%, approximately 8.61%, approximately 1.05% and approximately 1.07% by Zhang Fangliang, the Zhang Trust(Note 2), Wang Luquan, Wu Yongmei, the Wu 2017 Trust(Note 4), the Wu 2020 Separate Trust A(Note 4), the Wu 2020 Separate Trust L, the Wu 2021 Trust(Note 4), the Wu 2022 Trust(Note 4), Wang Ye, the Wang Trust(Note 3), Mu Yingjun and Charity B, respectively.

(2) On October 12, 2017, Zhang Fangliang set up 2017 Fang Liang Zhang Trust (the "**Zhang Trust**"), an irrevocable discretionary family trust, with his three children and their respective living issue as beneficiaries. Jin Weihong, the spouse of Zhang Fangliang, is the trustee of the Zhang Trust. Jin Weihong, as the trustee of the Zhang Trust, held approximately 21.87% of the entire issued share capital of GS Corp and was deemed, or taken to be interested in, all the Shares held by GS Corp for the purpose of the SFO.

(3) On October 5, 2017, Wang Ye set up the Wang Trust, an irrevocable discretionary family trust, with her spouse, her son and his living issue as beneficiaries. Hu Zhiyong, the spouse of Wang Ye, is the trustee of the Wang Trust. Hu Zhiyong, as the trustee of the Wang Trust, held approximately 8.61% the entire issued share capital of GS Corp and was deemed, or taken to be interested in, all the Shares held by GS Corp for the purpose of the SFO.

(4) On October 28, 2022, the Wu 2021 Trust transferred 11,583,632 shares of GS Corp to Wu Yongmei, under the Wu 2021 Trust. On October 31, 2022, the Wu 2020 Trust transferred 14,829,150, 14,859,545 and 14,859,545 shares of GS Corp to Wu Yongmei, the Wu 2020 Separate Trust A and the Wu 2020 Separate Trust L, respectively, under the Wu 2020 Trust. On the same day, Wu Yongmei set up the "Wu 2022 Trust" and serves as the initial trustee.

(5) As at December 31, 2022, Huang Lili held 638,000 Shares. In addition, since Huang Lili is the spouse of Wang Luquan, who is a non-executive Director. For the purpose of the SFO, Huang Lili was deemed, or taken to be interested in all the Shares in which Wang Luquan was interested.

(6) The entire issued share capital of GNS Holdings Limited is wholly owned by Hillhouse Management V, Ltd., which is wholly owned by Hillhouse Fund V, L.P. Hillhouse Management, Ltd. is the sole investment manager of Hillhouse Fund V, L.P.

(7) Save as disclosed above, as of the date of this annual report, the Directors have not been aware of any person who had interests or short positions in the Shares or underlying Shares that would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register and required to be kept pursuant to Section 336 of the SFO.

TAX RELIEF

The Company is not aware of any relief on taxation available to the Shareholders by reason of their holdings of the Shares.

PURCHASE, REDEMPTION, OR SALE OF THE LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

USE OF PROCEEDS

Use of Proceeds from Top-up Placing

On June 5, 2018, the Company entered into a placing and subscription agreement with GS Corp, one of the controlling shareholders of the Company (the "**Vendor**") and placing agents pursuant to which (i) the Vendor completed a placing through placing agents 75,000,000 ordinary shares of the Company to certain placees at the price of HK$26.50 per share, and (ii) the Vendor subscribed for an aggregate of 75,000,000 shares of the Company of HK$26.50 per share (the "**Top-up Placing**"). The net proceeds of the Top-up Placing is approximately HK$2.0 billion (equivalent to approximately US$251.3 million). Please refer to the announcements of the Company dated June 4, 2018, June 5, 2018, June 8, 2018, June 13, 2018 and June 14, 2018 for details.

A detailed breakdown and description of the use of the net proceeds from the Top-Up Placing is set forth as follows:

Item	**Unutilized amount as at January 1, 2022** US$ million	**Utilized amount during the Reporting Period** US$ million	**Unutilized amount as at December 31, 2022** US$ million	**Intended year of application**
Building up the GMP manufacturing facilities for plasmid and biologics products	36.5	36.5	–	Not applicable
Total	36.5	36.5	–	

Use of Proceeds from the Subscription Under General Mandate

On May 14, 2021, the Company and GNS entered into a subscription agreement (the "**Subscription Agreement**"), pursuant to which GNS subscribed for an aggregate 102,981,853 new Shares issued by the Company of HK$18.658 per Share under the Company's general mandate (the "**Subscription**"). The conditions of the Subscription Agreement have been fulfilled and the completion of the Subscription took place on June 10, 2021. The total amount of net proceeds received by the Company was approximately HK$1.9 billion (equivalent to approximately US$247.9 million). Please refer to the announcements dated May 14, 2021, June 7, 2021 and June 10, 2021.

A detailed breakdown and description of the use of the net proceeds from the Subscription is set forth as follows:

Item	**Unutilized amount as at January 1, 2022** US$ million	**Utilized amount during the Reporting Period** US$ million	**Unutilized amount as at December 31, 2022** US$ million	**Intended year of application**
Investment in research and development	37.0	37.0	–	Not applicable
Expansion of manufacturing facilities	131.2	123.1	**8.1**	2023
Total	168.2	60.1	**8.1**	

PRE-EMPTIVE RIGHTS

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

NON-COMPETING UNDERTAKINGS

The controlling shareholders of the Company, namely Zhang Fangliang, Wang Luquan, Wang Ye and GS Corp, or any of them (the "**Controlling Shareholders**"), have signed the deed of non-competition (the "**Deed of Non-competition**") dated December 7, 2015, pursuant to which, each of our Controlling Shareholders shall, and shall procure that their respective close associates and/or companies controlled by them (other than the Group) (i) not, directly or indirectly, either on its own account or in conjunction with or on behalf of any person, firm, or company, among other things, carry on, participate, or be interested or engage in or acquire or hold (in each case whether as a shareholder, director, partner, agent, employee, or otherwise, and whether for profit, reward, or otherwise) any activity or business that competes or is likely to compete, directly or indirectly, with the business of the Group referred to in the Prospectus and any other business from time to time conducted, carried on, or contemplated to be carried on by any member of the Group or in which any member of the Group is engaged or has invested, or which any member of the Group has otherwise publicly announced its intention to enter into, engage in, or invest in (whether as principal or agent and whether undertaken directly or through any body corporate, partnership, joint venture, or other contractual or other arrangement) (the "**Restricted Activity**"), (ii) provide all information requested by the Company that is necessary for an annual review by our independent non-executive Directors of its compliance with the Deed of Non-competition and the enforcement of the Deed of Non-competition, (iii) procure the Company to disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-competition, either through the annual report or by way of announcement(s) to the public, and (iv) make an annual declaration on compliance with its undertaking under the Deed of Non-competition in the annual reports of the Company as our independent non-executive Directors think fit and/or as required by the relevant requirements under the Listing Rules. Details of the Deed of Non-competition are set out in the section headed "Relationship with Controlling Shareholders" of the Prospectus.

The Company has received the annual confirmation of controlling shareholders in respect of their compliance with the non-competition undertakings under the Deed of Non-competition during the year ended December 31, 2022.

The independent non-executive Directors also reviewed the Controlling Shareholders' compliance with the non-competition undertakings. The independent non-executive Directors confirmed that the Controlling Shareholders were not in breach of the non-competition undertakings during the year ended December 31, 2022.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in this annual report, as at December 31, 2022, no executive Director, non-executive Director or any of their close associates had any interests in any business that competed or was likely to compete, either directly or indirectly, with the business of the Group under Rule 8.10(2) of the Listing Rules.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended December 31, 2022, the Company had no connected transactions or continuing connected transactions that were required to be disclosed pursuant to the provisions under Chapter 14A of the Listing Rules.

CHARITABLE DONATIONS

During the year ended December 31, 2022, the Group donated US$208,000 to non-profit organisations for charitable and community purposes.

MATERIAL LEGAL PROCEEDINGS

As of December 31, 2022, the Group was not involved in any material litigation or arbitration, and no material litigation or claim was pending or threatened against the Group as far as the Directors were aware of.

AUDIT COMMITTEE

The Audit Committee has reviewed the annual results announcement for 2022 and the financial statements for the year ended December 31, 2022 prepared in accordance with the HKFRS.

The restatement of unaudited interim results of the Group for the six months ended June 30, 2022 has been reviewed by the Audit Committee and has not been reviewed by the auditor of the Company.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining the highest standards of corporate governance practices. The Company has applied the principles set out in the Corporate Governance Code and the Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Listing Rules. During the Reporting Period, save as disclosed in the Corporate Governance Report, the Company has complied with the mandatory code provisions of the CG Code. For details, please refer to the Corporate Governance Report on pages 83 to 101 in this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company had maintained a sufficient public float of more than 25% of the Company's issued share capital as required under the Listing Rules as of the date of this annual report.

CONSULTING PROFESSIONAL TAX ADVISERS

The Company's shareholders are recommended to consult professional advisers if they are in any doubt as to the tax implications of the purchasing, holding, disposal of, buying, and selling of the Company's Shares or exercising any rights concerned.

BUSINESS REVIEW PURSUANT TO SCHEDULE 5 OF THE COMPANIES ORDINANCE (CHAPTER 622 OF THE LAWS OF HONG KONG)

A fair review of the business of the Company and a discussion and analysis of the Group's performance during the Reporting Period and the material factors underlying its results and financial position are provided in the section headed "Management Discussion and Analysis" from pages 12 to 42 of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Group include commercial, operational and financial risks.

Commercial Risks

The Group is facing keen competition with other life-science research and application services and products providers. To maintain the Group's competitiveness, the management uses cost leadership strategy as well as diversifies its business strategies to outperform other competitors.

Operational Risks

The Group is exposed to operational risks associated with each business segment of the Group. To manage the operational risks, the senior management regularly reviews the Group's operations to ensure that the Group's risks of losses, whether financial or otherwise, resulting from fraud, errors, omissions and other operational and compliance matters, are adequately managed. The senior management is also responsible for overseeing the implementation of the Group's risk management policies and procedures and shall report any irregularities to the Directors and seek directions. The Group emphasises ethical values and prevention of fraud and bribery. In this regard, the Directors consider that the Group's operational risks are effectively mitigated.

Financial Risks

The principle financial risks are set out in the note 46 to the financial statements in this report headed "Financial Risk Management Objectives and Policies".

SUBSEQUENT EVENTS

As at December 31, 2022, the subsequent events of the Group are set out in note 48 to this report headed "Subsequent Event".

FUTURE DEVELOPMENT STRATEGIES

The Group will continue to execute a three-pronged strategy to allocate capital to capture growth opportunities, improve efficiency and reduce risk.

We will expand our investment in research and development to improve the competitiveness of our products and services. We will also improve operational efficiency with digital transformation and lean management system. To shorten our response time to our customers' needs and mitigate global supply chain risk, we are also expanding capacity globally.

In the life-science services and products segment, we will continue to increase throughput and reduce costs through automation. We will also expand our manufacturing capacity for life-science and related catalogue products in plasmid preparation, protein expression, antibody production, oligo, etc. to meet our customers' demands on throughput. We will continue to upgrade our life-science products and services with GMP grade manufacturing to meet the needs of translational medical research and the commercial market.

In the biologics CDMO segment, we will focus on optimizing our biologics production technology platform and expanding our expertise commercial stage manufacturing. In the GCT area, we will continue to invest in capacity expansion and technological improvement in GMP plasmid, viral vector and mRNA production to solidify our position in China and overseas. We are also investing in our global commercial network to further penetrate the markets outside of China.

In the synthetic biology field, we are committed to shaping Bestzyme into one of the leading synthetic biology solution providers by continuing investment in research and development, expanding target markets and optimizing production costs. In the future, the Group will leverage our bioinformatics platform, gene editing technology, large-scale industrial fermentation and metabolic engineering technology to strengthen Bestzyme's competitiveness in the synthetic biology industry.

In the cell therapy field, we will continue to push forward Legend's pipeline programs through our internal resources as well as collaborations with external partners. We will continue to explore the advantage of conducting investigator initiated trials (IIT) in China and to selectively combine those with IND trials approved by the FDA in the U.S. to generate clinical data in a fast and cost effective way.

FINANCIAL KEY PERFORMANCE INDICATORS

A summary of the results and assets and liabilities of the Company for the last five financial years is set out on page 8 in this annual report. This summary does not form part of the audited consolidated financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group sticks to green development and is committed to its mission to "Make People and Nature Healthier Through Biotechnology". During operations, the Group has continuously optimized its environmental management capabilities, improved internal management policies and processes, and implemented low-carbon production and operations, as a way to contribute to environmental wellness.

In 2022, to ensure effective management of energy, resource utilization, pollutant and greenhouse gas emissions, the Group strengthened water, electricity, gas and steam utilization management and analysis, and established a monitoring and warning mechanism for waste water and waste gas. Also, the Company renovated the solar heating system through transformation and upgrading of its energy-consuming systems, optimized the processes and upgraded waste water and waste gas treatment systems, and properly disposed of or recycled solid waste pollutants. In this way, the Group has lowered the intensity of energy, greenhouse gas, water and waste emissions.

Driven by China's "carbon peak" and "carbon neutrality" goals, the Group will continuously optimize operations, enhance green management, and further reduce emission intensity in an effort to achieve sustainable development.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognizes the importance of compliance with regulatory requirements and the risk of non-compliance with such requirements could lead to the termination of operating licenses. The Group has implemented procedures to ensure ongoing compliance with rules and regulations and to maintain cordial working relationships with regulators through effective communications. During the year under review, the Group has complied in all material respects, to the best of our knowledge, with the SFO, the Listing Rules, and other relevant rules and regulations.

RELATIONSHIPS WITH EMPLOYEES

The Group encouraged the employees to enhance their competitiveness and ability to innovate new services and products. This raised the momentum in the research and development as well as marketing efforts to increase the revenue of the Group. Through solidifying its business foundation and adjusting its operation directives, the Group is striving to forge ahead under adverse conditions to allow us to achieve new progresses in terms of production and operation under a positive and hardworking work culture.

RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

We had established a highly diversified customer base, including pharmaceutical and biotech companies, colleges and universities, research institutes, government bodies (including government testing and diagnostic centers), and distributors. The Group strives to "Make Research Easy" by offering life-science research and application services and products for conducting fundamental life-science research, translational biomedical research, and early stage pharmaceutical development. Our synthetic biology products are used by industry users, such as those in the food and feed industries. In 2022, we expanded the range of our services and products and developed new customer accounts. The total number of customers has increased by approximately 15.6% compared to the total number of customers in 2021.

Owing to our vast array of services and products, we procure a wide variety of raw materials from a large number of suppliers for our business segments. As of December 31, 2022, we had a total of approximately 498 suppliers of different raw materials for our production that are mostly located in the Mainland China. In 2022, we maintained sound relationships with our suppliers such that we could meet business challenges and comply with regulatory requirements, thereby deriving cost effectiveness and reaping long-term business benefits.

By order of the Board
Meng Jiange
Chairman and Executive Director

Hong Kong,
March 31, 2023

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this corporate governance report as set out in the annual report of the Company for the year ended December 31, 2022.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code contained in Appendix 14 to the Listing Rules (as in effect from time to time) as its own code of corporate governance.

The Company has complied with all the applicable code provisions as set out in the CG Code during the year ended December 31, 2022 and up to the date of this annual report.

The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

CORPORATE CULTURE

Vision and Core Value

Founded in 2002 in New Jersey, the U.S., the Company has built upon its proprietary gene synthesis technology and established a presence in basic life science research, biologics research and development, industrial synthetic products, and cell therapy solutions.

The Company adheres to the corporate mission of "Making People and Nature Healthier Through Biotechnology". Our vision is to be the most trustworthy biotech company in the world. Our mission and vision inspire employees to achieve personal and corporate growth by focusing on our core values across all aspects of the Company: (i) at customer lever, being "Customer First"; (ii) at corporate level, being "Innovation, Pursuit of Excellence and Win-Win Cooperation; and (iii) at employee level, being "Integrity and Introspection".

Strategies to Achieve our Vision

We have been improving our clients' competitiveness through providing our superior quality, fast-delivery and cost-effective services and products. Internally, we focus on optimizing our operational processes and procedures with the aim of striving for the highest quality of end-to-end delivery. Externally, we actively enhance the value of strategic collaborations with business partners with the vision to build up a healthy biotech eco-system and contribute more of our efforts to accelerate the evolution of the whole biotech and biopharma industry.

Responsibility and quality management

Adhering to its responsibilities, the Company unremittingly offers high-quality products and services and puts "Customer First" as a core value. We strive to establish a quality management system for the entire product life cycle and focus on suppliers' social responsibility management to grow together with suppliers. We also continuously improve customer service quality and protect information security and customer privacy. In addition, we respect the ethics of animal experiments and ensure animal health and welfare.

Corporate Governance Report

Innovation spirit

With the core values of "Innovation and Pursuit of Excellence", the Company aspires to establish an excellent biotechnology platform, develop innovative products, and leverage our expertise, innovation and R&D to promote the development of the industry and benefit mankind. The Company strives to "Make Research Easy" by offering life-science research and application services and products for conducting fundamental life-science research, translational biomedical research, and early stage pharmaceutical development. Our business has made significant contributions to the global life science research community, and our services and products have been cited in over 76,000 international peer reviewed journal articles as at December 31, 2022.

Operational compliance

We believe that operation compliance is the foundation of corporate development, and integrity is an important part of our core values. The Company always adheres to the principles of honesty and business ethics, established and improved the risk control system, and continuously enhanced governance capabilities.

THE BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions, and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established six Board committees, including the Audit Committee, the Remuneration Committee, the Nomination Committee, the Sanctions Risks Control Committee, the Risk Management Committee and the Strategy Committee (together, the "**Board Committees**"). The Board has delegated responsibilities to the Board Committees as set out in their respective terms of reference.

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

Board Composition

As of the date of this annual report, the Board comprises eleven members, consisting of four executive Directors, three non-executive Directors, and four independent non-executive Directors as set out below:

Executive Directors

Dr. Zhang Fangliang
Mr. Meng Jiange *(Chairman)*
Ms. Wang Ye *(President)*
Dr. Zhu Li *(Chief Strategy Officer)*

Non-executive Directors

Dr. Wang Luquan
Mr. Pan Yuexin
Ms. Wang Jiafen

Independent non-executive Directors

Mr. Guo Hongxin
Mr. Dai Zumian
Mr. Pan Jiuan
Dr. Wang Xuehai

The biographies of the Directors are set out in the section headed "Directors and Senior Management" of this annual report.

During the year ended December 31, 2022 and up to the date of this annual report, the Board met the requirements of Rules 3.10 (1) and 3.10 (2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has also complied with Rule 3.10A of the Listing Rules, which relates to the appointment of independent non-executive Directors representing at least one-third of the Board.

Each of the independent non-executive Directors has confirmed his/her independence pursuant to Rule 3.13 of the Listing Rules, and the Company considers each of them to be independent.

None of the Directors have any personal relationship (including financial, business, family, or other material/relevant relationship) with any other Director.

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. Non-executive Directors and independent non-executive Directors have been participating in Board meetings, taking the lead where potential conflicts of interests arise. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee, the Nomination Committee and the Risk Management Committee.

With regards to the CG Code provision requiring directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments, as well as their identities and the times involved in the issuer, the Directors have agreed to disclose their commitments to the Company in a timely manner.

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statutes, laws, rules, and regulations. The Company also arranges regular seminars to provide Directors with updates on the latest developments and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Group's performance, position and, prospects to enable the Board as a whole and each Director to discharge their duties.

According to the records kept by the Company, all the existing Directors have received continuous and professional development and training, as set out below, with an emphasis on the roles, functions, and duties of directors in listed companies:

Name of Directors	Attending internal briefings or trainings, participating seminars, or reviewing materials
Executive Directors	
Dr. Zhang Fangliang	√
Mr. Meng Jiange	√
Ms. Wang Ye	√
Dr. Zhu Li	√
Non-executive Directors	
Dr. Wang Luquan	√
Mr. Pan Yuexin	√
Ms. Wang Jiafen	√
Independent non-executive Directors	
Mr. Guo Hongxin	√
Mr. Dai Zumian	√
Mr. Pan Jiuan	√
Dr. Wang Xuehai	√

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Board recognizes the recommendation of the CG Code that the chairman and the chief executive officer should be separate and performed by different individuals.

The chairman of the Board is Mr. Meng Jiange and the rotating chief executive officer is Dr. Liu Zhenyu during the Reporting Period. The chairman bears the responsibility for the effective conduct of the Board whilst the rotating chief executive officer bears the executive responsibility for the operations of the Group's business. The chairman and the rotating chief executive officer are not related to each other.

The Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision-making by the Board is independent and based on collective decisions without any individual exercising any considerable concentration of power or influence.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for a fixed term of three years commencing from December 17, 2022 for Dr. Zhang Fangliang, that from December 1, 2021 for Mr. Meng Jiange and Ms. Wang Ye, and that from November 22, 2020 for Dr. Zhu Li, which can be terminated before the expiration of the term by not less than six months' notice in writing served by either party on the other.

Each of the non-executive Directors has signed an appointment letter with the Company for a term of three years. The effective date of the appointments of Dr. Wang Luquan and Mr. Pan Yuexin is August 24, 2021, and that of Ms. Wang Jiafen is November 26, 2021. Their appointments are subject to termination in accordance with their respective terms. The appointment letter dated May 2, 2022 for the appointment of Dr. Zhang Fangliang as a non-executive Director has been terminated by mutual consent with effect from December 17, 2022.

Each of the independent non-executive Directors has signed an appointment letter with the Company for a term of three years. The effective date of the appointment of Mr. Guo Hongxin and Mr. Dai Zumian is August 24, 2021, that of Mr. Pan Jiuan is November 26, 2021, and that of Dr. Wang Xuehai is November 22, 2020. Their appointments are subject to termination in accordance with their respective terms.

Save as disclosed above, no Director has entered into a service contract with the Group that is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Pursuant to the Articles, at each annual general meeting, one-third of the Directors shall retire from office by rotation, provided that every Director shall be subject to retirement by rotation at least once every three years. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting, and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles. The Nomination Committee is responsible for reviewing the Board composition, and making recommendations to the Board on appointment, re-election, and succession planning of Directors.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received the annual confirmation from each of the independent non-executive Directors in respect of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent throughout the year ended December 31, 2022 in accordance with Rule 3.13 of the Listing Rules.

BOARD INDEPENDENCE

In order to ensure that independent views and input of the independent non-executive Directors are made available to the Board, the Nomination Committee and the Board are committed to assess the independent non-executive Directors' independence annually with regards to all relevant factors related to the independent non-executive Directors including the following:

1. required character, integrity, expertise, experience and stability to fulfill their roles;

2. time commitment and attention to the Company's affairs;

3. commitment to their independent roles respectively pursuant to Rule 3.13 of the Listing Rules;

4. declaration of conflict of interest in their roles as independent non-executive Directors;

5. no involvement in the daily management of the Company nor in any relationship or circumstances which would affect the exercise of their independent judgement; and

6. the chairman meets with the independent non-executive Directors regularly without the presence of the executive Directors.

During the Reporting Period, the Board has reviewed the mechanisms established to ensure independent views and input are available to the Board and was satisfied with the implementation and effectiveness of such mechanisms.

BOARD MEETINGS

The Company adopts the practice of holding Board meetings regularly. Notices of not less than 14 days are given for regular board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other committee meetings, a reasonable notice will be given in writing to all committee members. The meeting notice states the time and place of the meeting. The agenda and accompanying board committee papers will be provided at least three days before the date of meeting to ensure that Directors have sufficient time to review the papers and be adequately prepared for the meetings. When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman prior to the meeting.

Minutes of the Board meetings and Board committee meetings will be recorded in sufficient details for the matters considered by the Board and the Board committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and committee meeting are/will be sent to the Directors for comments within a reasonable time after the date on which the meeting is held.

During the Reporting Period, the Board held five meetings on March 19, 2022, May 2, 2022, May 26, 2022, August 31, 2022 and December 17, 2022 to cover the following aspects:

(a) to consider and review the financial statement for the year ended December 31, 2021 and for the six months ended June 30, 2022 and its publication, and matters concerning corporate governance and management;

(b) to discuss overall strategies of the Group, monitor the financial and operational performance and approve the annual and interim results of the Group;

(c) to consider and approve the external investments;

(d) to consider and discuss matters concerning the implementation of the Share Options Schemes and the RSA Scheme; and

(e) to consider and discuss matters relating to sanctions, audition, nomination, remuneration and risk management.

The attendance of the individual Directors at the Board meetings mentioned above and the general meeting is set out below:

Name of Directors	Attended/Eligible to attend Board meetings	General Meeting
Dr. Zhang Fangliang *(appointed as a non-executive Director with effect from May 2, 2022 and re-designated as an executive Director with effect from December 17, 2022)*	3/3	1/1
Mr. Meng Jiange	5/5	1/1
Ms. Wang Ye	5/5	1/1
Dr. Zhu Li	5/5	1/1
Dr. Wang Luquan	5/5	1/1
Mr. Pan Yuexin	5/5	1/1
Ms. Wang Jiafen	5/5	1/1
Mr. Guo Hongxin	5/5	1/1
Mr. Dai Zumian	5/5	1/1
Mr. Pan Jiuan	5/5	1/1
Dr. Wang Xuehai	5/5	1/1

The Company's external auditors also attended the annual general meeting of the Company held on May 27, 2022.

During the Reporting Period, the chairman of the Board met with the independent non-executive Directors without the presence of the other Directors to discuss and obtain independent advice on the business operations and financial condition of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted its own Code for Securities Transaction by Directors and Specified Individuals (the "**Model Code**") on terms no less exacting than the required standard set out in the model code as set out in Appendix 10 of the Listing Rules. Specific inquiry has been made to all the Directors and each of the Directors has confirmed that he/she has complied with the Model Code during the Reporting Period.

The Model Code is also applicable to the Company's relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company's securities. No incidents of non-compliance with the Model Code by the Directors and the relevant employees of the Company were noted by the Company during the Reporting Period.

CORPORATE GOVERNANCE FUNCTION

The Board recognizes that corporate governance shall be the collective responsibility of the Directors. The main corporate governance duties of the Board include:

1. to develop and review the Group's policies and practices on corporate governance;

2. to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

3. to develop, review, and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

4. to review the Group's compliance with the CG Code and disclosure in the Corporate Governance Report.

The duty to review and monitor the training record and continuous professional development of the Directors and senior management of the Group has been delegated to the Remuneration Committee.

DELEGATION BY THE BOARD

The Board reserves for its decision on all major matters of the Group, including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors, and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Group's senior management independently.

The daily management, administration, and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

BOARD COMMITTEES

Nomination Committee

The Nomination Committee currently comprises three members, including an executive Director, namely, Mr. Meng Jiange (chairman of the Nomination Committee) and two independent non-executive Directors, namely, Mr. Pan Jiuan and Mr. Dai Zumian.

The principal duties of the Nomination Committee include:

1. to review the structure, size, composition, and diversity (including but not limited to the gender, age, educational background or professional experience, skills, knowledge, and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

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

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

4. to make recommendations to the Board on the appointment or reappointment of members of the Board and succession planning for members of the Board; and

5. to review the board diversity policy as appropriate to ensure its effectiveness and if necessary, recommend any revision suggestions to the Board for consideration and approval.

In fulfilling its functions, the Nomination Committee has been provided with sufficient resources by the Company to seek independent professional advice to perform its responsibilities.

The written terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code and available on the websites of the Stock Exchange and the Company.

During the Reporting Period, the Nomination Committee held three meeting on March 19, 2022, May 2, 2022 and December 17, 2022. The specific agenda of the Nomination Committee covered the following aspects:

(a) to review the structure, size, composition and diversity of the Board;

(b) to review the Company's board diversity policy;

(c) to assess the independence of the independent non-executive directors of the Company;

(d) to make recommendation to the re-election of Directors; and

(e) to make recommendation to the appointment of new Directors and the re-designation of Directors.

The attendance of the individual committee members at the Nomination Committee meeting mentioned above is set out below:

Name of Committee Member	**Committee meetings attended/eligible to attend**
Mr. Meng Jiange *(chairman)*	3/3
Mr. Dai Zumian	3/3
Mr. Pan Jiuan	3/3

Director Nomination Policy

The Board has adopted a director nomination policy which sets out the approach to guide the Nomination Committee in relation to the procedures and process and criteria to select and recommend candidates for directorship and aims to ensure that the Board has a balance of skills, experience, knowledge and diversity of perspectives appropriate to the Company.

Pursuant to the director nomination policy, the Nomination Committee will assess the candidate or incumbent on criteria such as integrity, experience, skill, and ability to commit time and effort to carry out the duties. The recommendations of the Nomination Committee will then be put to the Board for decision. The Nomination Committee should report back to the Board on its decisions or recommendations after every Nomination Committee meeting.

Board Diversity Policy

The Company believes that board diversity can enhance the performance of the Company. After taking into account the Company's own business model and specific needs and upon the recommendation of the Nomination Committee, the Board has adopted a board diversity policy to ensure that in designing the Board's composition, board diversity will be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board.

The Company aims to build and maintain a Board with a diversity of Directors, in terms of skills, professional experience, educational background, knowledge. The Board will consider setting measurable objectives to implement the board diversity policy and review such objections from time to time to ensure appropriateness and ascertain the progress made towards achieving those objectives. As at December 31, 2022, the Board had two female Directors out of eleven Directors. The Board targets to maintain at least the current level of female representation, with the ultimate goal of achieving gender parity. The Board will consider to continue to take opportunities to increase the proportion of female members over time as and when suitable candidates are identified. The Nomination Committee will review the board diversity policy and its implementation from time to time.

As at December 31, 2022, the Company had 2,646 male employees (42.6%) and 3,567 female employees (57.4%). The Board is satisfied with the gender diversity of our employees and no measurable objective with respect to gender diversity has been adopted as of the date of this annual report. The Company will continue to ensure that gender diversity is maintained when recruiting employees at all levels.

Remuneration Committee

The Remuneration Committee currently comprises three members, including two independent non-executive directors, namely, Mr. Guo Hongxin (chairman of the Remuneration Committee) and Mr. Dai Zumian, and an executive director, namely, Ms. Wang Ye.

The principal duties of the Remuneration Committee include:

1. to make recommendations to the Board on the Company's policy and structure for all remuneration of members of the Board and senior management members and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

2. to make recommendations to the Board of the remuneration of members of the Board who are non-executive Directors;

3. to consult with the chairman and/or the chief executive officer of the Company and, where deemed appropriate, senior management members about the Committee's proposals relating to, and have the delegated responsibility to determine, the specific remuneration packages for the employment of all members of the Board who are executive directors and all senior management members, including benefits in kind, pension rights, and compensation payments, including any compensation payable for loss or termination of their office or appointment;

4. to review and approve performance-based remuneration payable to members of the Board who are executive directors, and senior management members by reference to corporate goals and objectives resolved by the Board from time to time and other measures of performance;

5. to review and approve any compensation additional to that provided for in the remuneration packages determined according to paragraph 3 above, which is payable to members of the Board who are executive directors and senior management members in connection with any loss or termination of their offices or appointments to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

6. to review and approve compensation arrangements relating to dismissal or removal of members of the Board who are executive directors and senior management members for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;

7. to ensure that no member of the Board or the senior management members or any of his/her associates is involved in deciding his own individual remuneration;

8. to determine the participation of members of the Board who are executive directors, senior management members, and other employees of the Company in any discretionary employee share or other share-based incentive schemes operated by the Company;

9. to determine targets for any Company-wide performance-related payments for members of the Board who are executive directors and senior management members and individual incentives for members of the Board who are executive directors and senior management members;

10. to determine the provision of benefits and settlement of other provisions under the terms of the service agreements or otherwise of members of the Board who are executive directors and senior management members where these are stated as being at the discretion of the Board;

11. to operate and administer the Company's share option schemes or other incentive schemes (if any) as may be from time to time adopted by the Company; and

12. to review and monitor the training record and continuous professional development of the Directors and senior management of the Company.

In fulfilling its functions, the Remuneration Committee has been provided with sufficient resources by the Company to seek independent professional advice to perform its responsibilities.

The written terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code and available on the websites of the Stock Exchange and the Company.

During the Reporting Period, the Remuneration Committee held five meetings on March 19, 2022, May 2, 2022, May 26, 2022, August 31, 2022 and December 17, 2022 to cover the following aspects:

(a) to determine the remuneration policy and structure of Directors and senior management and evaluate and make adjustment to the remuneration of the Directors and senior management;

(b) to assess performance of executive Directors;

(c) to review and approve the terms of executive Directors' service contracts; and

(d) to consider and discuss matters concerning the implementation of the Share Option Schemes and the RSA Schemes, including but not limited to the number of options and awards, the vesting period and the performance target (if any).

The attendance of the individual committee members at the Remuneration Committee meeting mentioned above is set out below:

Name of Committee Member	Committee meetings attended/eligible to attend
Mr. Guo Hongxin (chairman)	5/5
Ms. Wang Ye	5/5
Mr. Dai Zumian	5/5

Remuneration of Directors and Senior Management

The Company has established a formal and transparent procedure for formulating policies on the remuneration of Directors and senior management of the Group. Details of the remuneration of each of the Directors for the year ended December 31, 2022 are set out in note 8 to the financial statements in this annual report.

The biographies of the senior management are disclosed in the section headed "Directors and Senior Management" in this annual report. Remuneration paid to the senior management members (excluding the Directors) for the year ended December 31, 2022 is within the range below:

Range of remuneration	Number of Persons
Between HK$4,000,001 and HK$6,000,000 (equivalent to approximately US$510,738 and US$766,107))	1
Between HK$8,000,001 and HK$10,000,000 (equivalent to approximately US$1,021,477 and US$1,276,846)	1
Between HK$12,000,001 and HK$14,000,000 (equivalent to approximately US$1,532,215 and US $1,787,584)	1
Between HK$32,000,001 and HK$34,000,000 (equivalent to approximately US$4,085,906 and US$ 4,341,275)	1

Audit Committee

The Audit Committee currently comprises three members, namely, Mr. Dai Zumian (chairman of the Audit Committee), Mr. Pan Jiuan and Mr. Guo Hongxin, all being independent non-executive Directors.

The principal duties of the Audit Committee are (i) to review and monitor the Company's financial reporting system, risk management, and internal control systems, (ii) to maintain the relations with the external auditor of the Company, and (iii) to review the financial information of the Company. The Audit Committee has been provided with resources required for it to discharge its function properly.

The written terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code and available on the websites of the Stock Exchange and the Company.

During the Reporting Period, the Audit Committee held three meetings on March 19, 2022, August 31, 2022 and December 17, 2023. The specific agenda of the Audit Committee covered the following aspects:

(a) to consider and review the financial statement for the year ended December 31, 2021 and for the six-month period ended June 30, 2021; and

(b) to review audit planning, the financial reporting system, compliance procedures, internal audit function, risk management and internal control system and procedures and re-appointment of external auditor.

The requirements for Environment, Social and Governance Reporting were duly noted by the Audit Committee.

The attendance record of each committee member of the said Audit Committee meeting held by the Company is set out in the table below:

Name of Director	**Committee meetings attended/eligible to attend**
Mr. Dai Zumian *(chairman)*	3/3
Mr. Guo Hongxin	3/3
Mr. Pan Jiuan	3/3

The Audit Committee met the external auditors once on August 17, 2022 without the presence of the executive Directors nor non-executive Directors.

Sanctions Risk Control Committee

The Sanctions Risk Control Committee is headed by Dr. Liu Zhenyu (chairman of the Sanctions Risk Control Committee with effect from March 19, 2022), Ms. Shao Weihui (appointed with effect from March 19, 2022), Mr. Wei Shiniu (appointed with effect from March 19, 2022), Dr. Eric Wang, Mr. Meng Jiange (resigned with effect from March 19, 2022), Ms. Wang Ye (resigned with effect from March 19, 2022), and Mr. Wu Sheng (resigned with effect from March 19, 2022) as members.

The principal duties of the Sanctions Risk Control Committee include:

1. to effectively monitor the activities that may be subject to economic sanctions;

2. to provide guidance on the compliance with the relevant policies and procedures in relation to economic sanctions;

3. to provide guidance on the compliance with contractual covenants including those made in connection with the Global Offering and Listing; and

4. to ensure the establishment of effective policies in relation to economic sanctions.

During the Reporting Period, the Sanctions Risk Control Committee held six meetings on January 26, 2022, March 30, 2022, May 25, 2022, July 29, 2022, October 17, 2022 and December 12, 2022 to cover the following aspects:

(a) to discuss items regarding any sanctions related risks on the Group's commercial or other business activities;

(b) to review the activities that may be subject to economic sanctions;

(c) to review relevant policies and procedures in relation to economic sanctions;

(d) to review guidance on the compliance with contractual covenants;

(e) to review the use of proceeds from the global offering; and

(f) to review internal control policies and procedures with respect to the sanction risks.

The attendance record of each committee member of the Sanctions Risk and Control Committee meeting held by the Company is set out in the table below:

Name of Committee Member	**Committee meetings attended/eligible to attend**
Dr. Liu Zhenyu *(chairman) (appointed as chairman and member with effect from March 19, 2022)*	5/5
Ms. Shao Weihui *(appointed as member with effect from March 19, 2022)*	5/5
Mr. Wei Shiniu *(appointed as member with effect from March 19, 2022)*	5/5
Dr. Eric Wang	6/6
Mr. Meng Jiange *(resigned with effect from March 19, 2022)*	1/1
Ms. Wang Ye *(resigned with effect from March 19, 2022)*	1/1
Mr. Wu Sheng *(resigned with effect from March 19, 2022)*	1/1

The Sanctions Risk Control Committee has reviewed the sales of the Group to the Sanctioned Countries (as defined and disclosed in the Prospectus) for the year ended December 31, 2022 and the relevant legal opinions from the Company's legal adviser as to international sanctions laws to monitor the Group's exposure to risks of sanctions violations.

Risk Management Committee

The Risk Management Committee was established by the Board with effect from May 2, 2022. The Risk Management Committee consists of three members, including one executive Director, namely Dr. Zhang Fangliang as its chairman, and two independent non-executive Directors, namely Mr. Guo Hongxin and Mr. Pan Jiuan.

The principal duties of the Risk Management Committee include:

1. to review the Company's risk management policies and standards, internal control system and the environmental, social and governance ("**ESG**") policies and guidelines;

2. to supervise and monitor the Company's risk management, internal control system and ESG strategies;

3. to review and provide comment on the overall target and basic policy of the compliance and risk management; and

4. to review the settings and responsibilities of the Company's compliance and risk management.

As the Risk Management Committee has been established less than one year as of December 31, 2022, the Risk Management Committee did not hold any meeting during the Reporting Period.

Members of the Risk Management Committee have reviewed the risk management system of the Group regularly and provided suggestions to the Board and for the year ended December 31, 2022.

Strategy Committee

The Strategy Committee was established by the Board with effect from May 2, 2022. The Strategy Committee consists of three members, including one executive Director, namely Dr. Zhang Fangliang as its chairman, and two non-executive Directors, namely Mr. Pan Jiuan and Ms. Wang Jiafen.

The principal duties of the Strategy Committee include:

1. to review and make recommendations on the medium-to-long-term development strategies (including overall-strategies, human resources strategies, operation strategies, investment strategies and ESG strategies) of the Company;

2. to review and make recommendation on major investment, financing and capital operation plans that are subject to the Board's approval according to the Articles and the Listing Rules;

3. to review and make recommendations on major business reorganization, acquisition, merge and asset transfer which are subject to the approval of the Board;

4. to review and make recommendations on the expansion to new markets, launch of new businesses and research and development of new products of the Company; and

5. to review the development trends of the ESG industry as well as evaluate and make recommendations on major ESG-related decisions.

During the Reporting Period, the Strategy Committee held two meetings on May 27, 2022 and September 20, 2022 to cover the following aspects:

(a) to discuss the medium-to-long-term development strategies of the Company, and

(b) to review and discuss the scope of the business of the subsidiaries of the Company.

The attendance record of each committee member of the Strategy Committee meeting held by the Company is set out in the table below:

Name of Committee Member	Committee meetings attended/eligible to attend
Dr. Zhang Fangliang	2/2
Mr. Pan Jiuan	2/2
Ms. Wang Jiafen	2/2

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors have acknowledged their responsibilities for preparing the consolidated financial statements of the Company for the year ended December 31, 2022, which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with monthly updates on the Company's performance, positions, and prospects.

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

The statement by the independent auditors of the Company regarding their reporting responsibilities for the audit of the consolidated financial statements of the Company is set out in the independent auditors' report on pages 102 to 108 in this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is the responsibility of the Board for maintaining an adequate risk management and internal control systems to safeguard shareholders' investments and the Company's assets and reviewing the effectiveness of such systems on an annual basis. Such systems are designed to manage rather than eliminate the risks of failure to achieve business objectives, and each only provides reasonable and not absolute assurance against material mistreatment or loss.

The Group's internal audit department plays an important role in monitoring the internal governance of the Company. The major duties of internal audit department are to regulate and review the internal control and compliance related matters of the Company and conduct comprehensive audits of all branches and subsidiaries of the Company on a regular basis. The Group's internal audit department performs regular evaluation on the effectiveness of risk control measures taken by each operating department and issues an appraisal report which shall be submitted to our Audit Committee for approval.

The Audit Committee has received an internal control report prepared by the internal audit department during the Year and has considered that the internal control system of the Group remains effective and no material issue is required to be brought to the Board's attention. The Board considers the risk management and internal control systems effective after review.

The Board has established the Risk Management Committee on May 2, 2022 for the purposes of, among others, supporting the Board to review the effectiveness of the Company's risk management policies and standards and the ESG policies and guidelines.

The Company has established a risk management process, pursuant to which each operating department is required to identify any significant risks associated with their work and corporate strategies of the Company. Based on the assessment of the identified risks in terms of their likelihood and potential impact, the Company prioritises and pairs each risk with a mitigation plan. Furthermore, any emergencies are required to be reported, evaluated and managed in time to mitigate the impact.

The Group has established a three-tier risk control corporate structure in implementing our internal control and risk management policies and procedures. First, the Board and the senior management oversee and manage the overall risks associated with our business operations. Second, the Audit Committee provides the Directors with an independent review of the effectiveness of the financial reporting process and internal controls, while the Risk Management Committee reviews the risk management system of the Group regularly and provides suggestions to the Directors. Third, the Group's internal audit department supervises the implementation of our risk management policy at the corporate level and organises an annual audit progress for regularly evaluating the effectiveness of the risk management and internal control measures taken by each operating department and issues an appraisal report which shall be submitted to the Audit Committee for approval.

The Board is responsible for the management of inside information. Without the approval of the Board, the Company prohibits any inside information from being disclosed to the public.

The management has confirmed to the Board on the effectiveness of the risk management and internal control system for the Reporting Period.

AUDITORS' REMUNERATION

The Company's external auditor is Ernst & Young. A breakdown analysis of the remuneration paid to the auditor in respect of the services provided by the auditor to the Group for the year end December 31, 2022 is set out below. The Audit Committee has confirmed the independence and objectivity of the external auditor.

	Fees Paid US$'000
Audit services	1,492
Non-audit services	87
Total	1,579

Non-audit services include tax compliance filing and consulting.

COMPANY SECRETARY

Ms. Wong Wai Ling was appointed as the company secretary of the Company with effect from August 24, 2015. Ms. Wong is a vice president of SWCS Corporate Services Group (Hong Kong) Limited and is responsible for assisting listed companies in professional company secretarial work. Ms. Wong is an associate of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. Ms. Wong's primary corporate contact person at the Company is Mr. Meng Jiange, the chairman of the Board.

Ms. Wong has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules for the year ended December 31, 2022.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and the understanding of the Group's business, performance, and strategies. The Company also recognizes the importance of the timely and non-selective disclosure of its information, which will enable shareholders and investors to make informed investment decisions.

The annual general meeting of the Company provides an opportunity for shareholders to communicate directly with the Directors. The chairman of the Company and chairmen of the Board Committees, or in their absence, their duly appointed delegates will attend the annual general meeting to answer shareholders' questions. The external auditors of the Company will also attend the annual general meeting to answer questions about the conduct of the audit, the preparation and contents of the auditors' report, accounting policies, and auditors independence.

To promote effective communication, the Company adopts a shareholders' communication policy that aims at establishing a two-way relationship and communication between the Company and the Shareholders and maintains a website at www.genscript.com, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices, and other information are available for public access.

The Company has regularly reviewed the implementation and effectiveness of its shareholders' communication policy through discussions amongst the Directors during the board meetings. The Company reviewed its shareholders communication activities conducted in the Reporting Period and was satisfied with the implementation and effectiveness of its shareholders' communication policy.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution is proposed for each issue at general meetings, including the election of individual Directors.

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules, and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

DIVIDEND POLICY

Subject to the applicable laws and the Articles through a general meeting, the Company may declare dividends from the profit of the forthcoming periods, but no dividends shall exceed the amount recommended by the Directors. The Directors will consider, from time to time, to pay to our shareholders such interim dividends as the Directors deem to be justified by our financial conditions and profits. The amount of any dividends to be declared or paid in the future will depend on, among other things, the Company's results of operations, cashflows, financial condition, operating and capital requirements, future prospects and other factors that our Directors may deem relevant.

CONVENING EXTRAORDINARY GENERAL MEETINGS AND PUTTING FORWARD PROPOSALS

In accordance with the Articles, extraordinary general meetings shall also be convened on the requisition of one or more Shareholders' holdings, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings.

Such requisition shall be made in writing to the Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

With regards to proposing a person for election as a director, the procedures are available on the website of the Company.

Shareholders who intend to put forward their inquiries about the Company to the Board could email their inquiries to our Investor Relations Department at the email address: investorrelations@genscript.com. The Company will not normally deal with verbal or anonymous inquires.

CHANGE IN CONSTITUTIONAL DOCUMENTS

The Articles of the Company were adopted by the Company on December 7, 2015 and became effective on the Listing Date. There is no significant change in the Company's constitutional documents during the Reporting Period.

INDEPENDENT AUDITOR'S REPORT

Ernst & Young
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To the shareholders of Genscript Biotech Corporation
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Genscript Biotech Corporation (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 109 to 256, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the 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 HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the *HKICPA's Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

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

Key audit matter (continued)

**Revenue recognition —
Life science services and products**

Revenue of life science services and products (including life science services and products segment, biologics development services segment and industrial synthetic biology products segment) amounted to US$504,493,000 was recognised during the year ended 31 December 2022, which represents 81% of the Group's total revenue.

Revenue recognition has been identified as a risk, particularly in respect of the occurrence and accuracy of a significant volume of transactions and the timing of revenue recognition for sales of goods and rendering of services with deliveries occurring on or around year-end. Due to the significant volume of transactions, minor errors could, in aggregate, have a material impact on the financial statements. Therefore, we identified the revenue recognition for life science services and products as a key audit matter.

The Group's disclosure about accounting policies of revenue recognition is included in Note 2.5 summary of significant accounting policies and about revenue breakdown in Note 5 to the financial statements.

How our audit addressed the key audit matter

We performed the review on management's assessment of revenue recognition under HKFRS 15. We obtained an understanding, evaluated the design, and tested the operating effectiveness of the internal controls related to the revenue recognition process. On a sample basis, we examined deliveries, contracts and other supporting documents during the year to assess whether the revenue recognition criteria were met for control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. We traced to goods delivery notes, client acceptance notes, service report download records and other supporting documents to verify the appropriateness of revenues recognized on or around year-end. We performed monthly analysis to observe the sales trend and identify whether there are any unusual sales and evaluated its reasonableness. We performed testing on journal entries to identify any management override of internal controls related to revenue recognition.

Independent Auditor's Report

Key audit matter (continued)	How our audit addressed the key audit matter
Fair value measurement of convertible redeemable preferred shares and warrants of an unlisted subsidiary	
An unlisted subsidiary of the Company has issued convertible redeemable preferred shares and warrants to third party institutional investors, which were classified as financial liabilities at fair value through profit or loss. As at 31 December 2022, the fair values of the convertible redeemable preferred shares and warrants were amounted to US$269,460,000 and US$15,899,000, respectively, based on valuations from an independent professional valuer engaged by management to assist in the fair value measurement. The determination of the fair values of the convertible redeemable preferred shares and warrants issued by an unlisted subsidiary involves significant estimates made by management. Therefore, we identified the fair value measurement of convertible redeemable preferred shares and warrants as a key audit matter. The Group's disclosures about the convertible redeemable preferred shares and warrants are included in Notes 2.5, 3, 32 and 45 to the financial statements.	We obtained the related documents, including but not limited to, the share and warrant purchase agreement, shareholders agreement and the memorandum and articles of associations of the unlisted subsidiary, and reviewed the key terms to assess the appropriateness of the Group's accounting treatments. We assessed the competency, capability and objectivity of the independent professional valuer engaged by management. We evaluated the reasonableness of the valuation techniques, methodologies and key assumptions used in the fair value valuations, and involved our internal valuation specialists to assist us in conducting the evaluation. We also assessed the adequacy of the related disclosures in the notes to the financial statements.

Key audit matter (continued)	How our audit addressed the key audit matter
Collaboration and license agreement with Janssen Biotech, Inc.	
As disclosed in notes the financial statements, the Group entered into a collaboration and license agreement with Janssen Biotech, Inc. ("**Janssen**"), under which the Group granted Janssen a worldwide, co-exclusive (with the Group) license to develop and commercialize cilta-cel. The Group and Janssen share equally revenue, expenses and profits of CARVYKTI in all areas other than the People's Republic of China. Auditing the collaboration and license agreement was challenging because significant judgments was required to apply the authoritative accounting guidance. The management exercised significant judgments in determining the authoritative guidance applicable to the collaboration and license agreement, including as it relates to collaboration revenue, collaboration cost of revenue, collaboration inventories, and leases of collaboration assets. The Group's disclosures about the collaboration and license agreement with Janssen are included in Notes 2.5, 3, 5, 15 and 20 to the financial statements.	We read the contractual agreement and amendments, tested for completeness management's identification of the significant terms and assessed the terms of the agreement and amendments for relevant accounting implications, including the identification of the customer. We evaluated the appropriateness of management's selection and application of the authoritative guidance and the determination and consistency of its accounting policies and we compared amounts recorded for consistency with the Group's accounting policies and underlying documentation. We also assessed the adequacy of the related disclosures in the notes to the financial statements.

Independent Auditor's Report

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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 of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

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

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

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

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

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

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

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

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

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

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

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

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

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

Independent Auditor's Report

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

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

Ernst & Young
Certified Public Accountants
Hong Kong
30 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	Notes	2022 US$'000	2021 (Restated) US$'000
REVENUE	5	**625,698**	490,096
Cost of sales		**(321,615)**	(207,578)
Gross profit		**304,083**	282,518
Other income and gains	5	**25,105**	17,250
Selling and distribution expenses		**(168,349)**	(167,969)
Administrative expenses		**(182,462)**	(134,508)
Research and development expenses		**(390,096)**	(358,401)
Fair value gains/(losses) of preferred shares and warrants	32	**18,769**	(139,428)
Other expenses		**(24,292)**	(13,011)
Finance costs	7	**(13,269)**	(2,378)
Share of losses of an associate		**(27)**	—
Provision for impairment of financial assets, net		**(1,152)**	(1,436)
LOSS BEFORE TAX	6	**(431,690)**	(517,363)
Income tax credit/(expense)	10	**3,719**	(964)
LOSS FOR THE YEAR		**(427,971)**	(518,327)
Attributable to:			
Owners of the parent		**(226,851)**	(358,712)
Non-controlling interests		**(201,120)**	(159,615)
		(427,971)	(518,327)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic (US cent per share)		**(10.82)**	(17.67)
Diluted (US cent per share)		**(10.82)**	(17.67)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	2022 US$'000	2021 (Restated) US$'000
LOSS FOR THE YEAR	**(427,971)**	(518,327)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(41,095)**	14,939
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**(41,095)**	14,939
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(41,095)**	14,939
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(469,066)**	(503,388)
Attributable to:		
Owners of the parent	**(271,837)**	(346,306)
Non-controlling interests	**(197,229)**	(157,082)
	(469,066)	(503,388)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	31 December 2022 US$'000	31 December 2021 (Restated) US$'000	1 January 2021 (Restated) US$'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	**521,567**	396,667	304,466
Advance payments for property, plant and equipment		**22,251**	18,512	5,906
Investment properties	14	**6,833**	6,882	7,726
Right-of-use assets	15	**103,105**	90,244	65,550
Goodwill	16	**2,547**	14,151	14,116
Other intangible assets	17	**23,811**	26,423	26,020
Investments in associates	18	**4,372**	3,318	3,433
Financial assets at fair value through profit or loss	19	**11,657**	10,444	10,555
Deferred tax assets	34	**15,045**	5,090	3,702
Time deposits		**—**	4,705	—
Other non-current assets	23	**70,245**	18,372	12,758
Total non-current assets		**781,433**	594,808	454,232
CURRENT ASSETS				
Inventories	20	**59,935**	44,358	31,745
Contract costs	21	**16,490**	8,877	5,785
Trade and notes receivables	22	**104,089**	142,345	141,770
Prepayments, other receivables and other assets	23	**93,867**	37,152	33,898
Financial assets at fair value through profit or loss	19	**210,819**	2,208	5,866
Financial assets measured at amortized cost	24	**—**	29,937	—
Loans to associates	18	**37**	1,680	2,422
Restricted cash	25	**27,203**	1,444	7,471
Time deposits	26	**228,511**	190,088	136,245
Cash and cash equivalents	26	**1,023,999**	1,180,971	629,058
Total current assets		**1,764,950**	1,639,060	994,260

Consolidated Statement of Financial Position

31 December 2022

	Notes	31 December 2022 US$'000	31 December 2021 (Restated) US$'000	1 January 2021 (Restated) US$'000
CURRENT LIABILITIES				
Trade and bills payables	27	**55,755**	30,176	23,376
Other payables and accruals	28	**300,709**	213,563	169,599
Interest-bearing loans and other borrowings	29	**33,681**	521	44,642
Lease liabilities	15	**11,104**	7,510	2,588
Tax payable		**16,153**	15,724	12,327
Contract liabilities	30	**41,675**	34,733	29,400
Government grants	31	**2,652**	740	379
Financial liabilities at fair value through profit or loss	32	**84,249**	110,338	—
Total current liabilities		**545,978**	413,305	282,311
NET CURRENT ASSETS		**1,218,972**	1,225,755	711,949
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,000,405**	1,820,563	1,166,181
NON-CURRENT LIABILITIES				
Interest-bearing loans and other borrowings	29	**261,006**	121,070	1,260
Lease liabilities	15	**44,008**	27,349	6,513
Contract liabilities	30	**2,010**	2,234	1,981
Deferred tax liabilities	34	**8,012**	7,730	11,271
Government grants	31	**16,167**	13,301	11,495
Financial liabilities at fair value through profit or loss	32	**269,460**	260,790	—
Financial liability measured at amortized cost	33	**36,761**	—	—
Other non-current liabilities		**313**	396	554
Total non-current liabilities		**637,737**	432,870	33,074
Net assets		**1,362,668**	1,387,693	1,133,107

Consolidated Statement of Financial Position

31 December 2022

	Notes	31 December 2022 US$'000	31 December 2021 (Restated) US$'000	1 January 2021 (Restated) US$'000
EQUITY				
Share capital	35	**2,111**	2,096	1,954
Treasury shares		**(11,922)**	(15,753)	(16,712)
Reserves	38	**1,020,352**	1,059,649	1,096,922
Equity attributable to owners of the parent		**1,010,541**	1,045,992	1,082,164
Non-controlling interests		**352,127**	341,701	50,943
Total equity		**1,362,668**	1,387,693	1,133,107

Zhang Fangliang
Director

Meng Jiange
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

	Attributable to owners of the parent											
	Share capital US$'000 (Note 35)	Treasury shares US$'000	Share premium* US$'000	Merger reserve* US$'000	Share option reserve* US$'000 (Notes 36 & 37)	Other Reserve* US$'000 (Note 33)	Statutory surplus reserve* US$'000	Accumulated losses* US$'000	Exchange fluctuation reserve* US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 January 2022 (Restated)	2,096	(15,753)	1,274,271	(20,883)	61,588	–	13,790	(289,187)	20,070	1,045,992	341,701	1,387,693
Loss for the year	–	–	–	–	–	–	–	(226,851)	–	(226,851)	(201,120)	(427,971)
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	(44,986)	(44,986)	3,891	(41,095)
Total comprehensive loss for the year	–	–	–	–	–	–	–	(226,851)	(44,986)	(271,837)	(197,229)	(469,066)
Issuance of ordinary shares of Legend Cayman	–	–	182,464	–	–	–	–	–	–	182,464	195,179	377,643
Transactions with non-controlling shareholders	–	–	(1,182)	–	–	–	–	–	–	(1,182)	(7,599)	(8,781)
Equity component from the issuance of preferred shares of a subsidiary of the Company	–	–	–	–	–	1,597	–	–	–	1,597	–	1,597
Equity-settled share-based compensation expenses	–	–	–	–	49,559	–	–	–	–	49,559	15,595	65,154
Exercise of share options and restricted share units	15	3,831	17,474	–	(17,372)	–	–	–	–	3,948	4,480	8,428
At 31 December 2022	2,111	(11,922)	1,473,027	(20,883)	93,775	1,597	13,790	(516,038)	(24,916)	1,010,541	352,127	1,362,668

* These reserve accounts comprise the consolidated reserves of US$1,020,352,000 (31 December 2021: US$1,059,649,000) in the consolidated statement of financial position.

Consolidated Statement of Changes in Equity

Year ended 31 December 2021

	Attributable to owners of the parent										
	Share capital US$'000 (Note 35)	Treasury shares US$'000	Share premium* US$'000	Merger reserve* US$'000	Share option reserve* US$'000 (Notes 36 & 37)	Statutory surplus reserve* US$'000	Retained earnings* US$'000	Exchange fluctuation reserve* US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 January 2021 (Restated)	1,954	(16,712)	988,638	(20,883)	38,188	13,790	69,525	7,664	1,082,164	50,943	1,133,107
Loss for the year	—	—	—	—	—	—	(358,712)	—	(358,712)	(159,615)	(518,327)
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	12,406	12,406	2,533	14,939
Total comprehensive loss for the year	—	—	—	—	—	—	(358,712)	12,406	(346,306)	(157,082)	(503,388)
Issuance of ordinary shares and warrant of the Company and Legend Cayman	103	—	264,042	—	—	—	—	—	264,145	435,134	699,279
Acquisition of equity from non-controlling shareholders	—	—	(98)	—	—	—	—	—	(98)	(96)	(194)
Equity-settled share-based compensation expenses	—	—	—	—	31,728	—	—	—	31,728	7,963	39,691
Exercise of share options and restricted share units	39	959	21,689	—	(8,328)	—	—	—	14,359	4,839	19,198
At 31 December 2021 (Restated)	2,096	(15,753)	1,274,271	(20,883)	61,588	13,790	(289,187)	20,070	1,045,992	341,701	1,387,693

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 US$'000	2021 (Restated) US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(431,690)	(517,363)
Adjustments for:			
Provision for impairment of trade receivables	22	1,290	928
(Reversal of)/provision for impairment of other receivables and other assets	6	(138)	508
(Reversal of)/write-down of inventories to net realisable value	6	(1,201)	2,511
Depreciation of property, plant and equipment	13	46,637	35,646
Depreciation of investment properties	14	90	114
Depreciation of right-of-use assets	15	12,104	8,145
Amortisation of other intangible assets	17	5,417	3,874
Loss on disposal of property, plant and equipment	6	772	914
Interest income	5	(13,218)	(2,785)
Fair value (gains)/losses of preferred shares and warrants	32	(18,769)	139,428
Investment losses/(income)		3,215	(3,767)
Share of losses of an associate	18	27	—
Fair value changes on financial assets at fair value through profit or loss		3,643	(699)
Impairment of goodwill	16	11,477	—
Impairment of investments in associates	18	—	169
Finance costs	7	13,269	2,378
Deferred government grants	31	(1,083)	(609)
Foreign exchange differences, net	6	3,896	10,267
Equity-settled share-based compensation expense		65,154	39,691
		(299,108)	(280,650)
Decrease in trade and notes receivables		38,066	1,569
Increase in prepayments, other receivables and other assets		(59,739)	(9,277)
Increase in inventories		(14,237)	(15,135)
Decrease/(increase) in other non-current assets		1,280	(2,278)
Increase in contract costs		(7,613)	(3,092)
Increase in government grants		6,813	2,505
Increase in trade and bills payables		25,579	8,069
Increase in other payables and accruals		174,303	156,224
Increase in contract liabilities		6,756	1,033
Decrease in other non-current liabilities		(83)	(158)
(Increase)/decrease in restricted cash		(1,370)	3,185
Cash used in operations		(129,353)	(138,005)
Interest received		10,440	3,502
Interest paid for finance rental lease payment		(1,632)	(797)
Interest paid		(407)	(779)
Income taxes paid		(4,830)	(3,709)
Income taxes received		5,490	2,998
Net cash flows used in operating activities		(120,292)	(136,790)

Consolidated Statement of Cash Flows

Year ended 31 December 2022

	Notes	2022 US$'000	2021 (Restated) US$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(201,303)**	(131,336)
Purchases of financial assets at fair value through profit or loss		**(374,209)**	(234,285)
Redemption of financial assets at fair value through profit or loss		**157,693**	240,126
Redemption of financial assets measured at amortized cost		**30,000**	—
Increase in time deposits		**(32,323)**	(58,430)
Proceeds from disposal of property, plant and equipment		**88**	272
Purchases of intangible assets		**(2,269)**	(4,353)
(Payment of investment loss)/cash received from investment income		**(3,088)**	3,854
(Increase)/decrease in restricted cash		**(3,590)**	2,842
Repayment of loans from associates		**1,429**	319
Purchases of investments in associates		**(1,115)**	—
Purchase of financial assets measured at amortised cost		**—**	(29,849)
Disposal of an associate		**201**	—
Prepayment to collaborator for collaboration assets		**(14,810)**	(1,708)
Net cash flows used in investing activities		**(443,296)**	(212,548)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuances of the Company's ordinary shares, and preferred shares and warrants of the Company's subsidiaries		**37,254**	697,900
Proceeds from issuance of Legend Cayman's ordinary shares for Follow-on Public Offering, net of issuance cost		**377,643**	233,440
Exercise of share options and restricted share units		**8,410**	19,889
Proceeds from loans and borrowings		**33,062**	26,041
Increase in restricted cash		**(20,883)**	—
Repayment of loans and borrowings		**(463)**	(71,216)
Capital injection received by non-controlling shareholders of subsidiaries		**3,866**	—
Principal portion of lease payments	15	**(6,925)**	(3,719)
Acquisition of non-controlling interests		**(12,647)**	(194)
Net cash flows generated from financing activities		**419,317**	902,141

Consolidated Statement of Cash Flows

Year ended 31 December 2022

	Notes	2022 US$'000	2021 (Restated) US$'000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(144,271)**	552,803
Cash and cash equivalents at beginning of the year	26	**1,180,971**	629,058
Effect of foreign exchange rate changes, net		**(12,701)**	(890)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	26	**1,023,999**	1,180,971
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**941,937**	966,662
Non-pledged time deposits with original maturity of less than three months when acquired		**82,062**	214,309
Cash and cash equivalents as stated in the consolidated statement of financial position	26	**1,023,999**	1,180,971
Cash and cash equivalents as stated in the consolidated statement of cash flows		**1,023,999**	1,180,971

NOTES TO FINANCIAL STATEMENTS

31 December 2022

1. CORPORATE INFORMATION

Genscript Biotech Corporation (the "**Company**") was incorporated on 21 May 2015 as an exempted company in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. The registered office address of the Company is 4th Floor, Harbour Place, 103 South Church Street, George Town, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.

The Company is an investment holding company. The Company's subsidiaries are principally engaged in the manufacture and sale of life science research products and services. The products and services mainly include life-science services and products, biologics development services, industrial synthetic biology products and cell therapy. The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 30 December 2015.

In the opinion of the directors, the ultimate holding company of the Company is Genscript Corporation ("**GS Corp**"), which was incorporated in the United States of America.

Information about subsidiaries

Particulars of the Company's principal subsidiaries as at 31 December 2022 are as follows:

Name	Place and date of incorporation/ registration and place of business	Issued ordinary share/ paid-up capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct %	Indirect %	
GenScript (Hong Kong) Limited ("**GS HK**")	PRC /Hong Kong 8 January 2009	HK$ 155,000	—	100	Sale of life science research products and services
Nanjing GenScript Biotech Co., Ltd.("**GS China**") — wholly foreign-owned enterprise	PRC /Mainland China 12 March 2009	US$ 88,020,000	—	100	Manufacture and sale of life science research products and services
GenScript USA Incorporated ("**GS USA**")	United States of America 26 March 2009	US$ 1,000	100	—	Manufacture and sale of life science research products and services
Genscript (Nanjing) Co., Ltd. ("**Nanjing Jinsikang**") — limited liability company	PRC /Mainland China 30 April 2009	RMB 132,550,600	—	100	Manufacture and sale of life science research products and services

Notes to Financial Statements

31 December 2022

1. CORPORATE INFORMATION (Continued)

Information about subsidiaries (Continued)

Name	Place and date of incorporation/ registration and place of business	Issued ordinary share/ paid-up capital	Percentage of equity interest attributable to the Company Direct %	Indirect %	Principal activities
Jiangsu GenScript Biotech Co., Ltd.("**Jiangsu Jinsirui**") — wholly foreign-owned enterprise	PRC /Mainland China 31 August 2016	RMB 637,445,000	—	100	Manufacture and sale of life science research products and services
Genscript Japan Inc. ("**GS JP**")	Japan 7 July 2011	JPY 8,300,000	—	100	Sale of life science research products and services
Nanjing Bestzyme Bio-Engineering Co., Ltd. ("**Nanjing Bestzyme**") — limited liability company	PRC /Mainland China 6 June 2013	RMB 315,416,237	—	92.19	Manufacture and sale of life science research products and services
Shanghai Bestzyme Bio-Engineering Co., Ltd. ("**Shanghai Bestzyme**") — limited liability company	PRC /Mainland China 11 December 2018	RMB 3,000,000	—	100	Manufacture and sale of life science research products and services
Jinan Bestzyme Bio-Engineering Co., Ltd. ("**Jinan Bestzyme**") — limited liability company	PRC /Mainland China 19 August 2009	RMB 45,436,341	—	100	Manufacture and sale of life science research products and services
Legend Biotech Corporation ("**Legend Cayman**" or "**Legend**")	Cayman Islands 27 May 2015	US$ 30,846	52.87	—	Investment holding company
Nanjing Legend Biotech Co., Ltd.("**Legend Nanjing**") — wholly foreign-owned enterprise	PRC /Mainland China 17 November 2014	US$ 62,500,000	—	52.87	Manufacture and sale of life science research products and services

1. CORPORATE INFORMATION (Continued)

Information about subsidiaries (Continued)

Name	Place and date of incorporation/ registration and place of business	Issued ordinary share/ paid-up capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct %	Indirect %	
Legend Biotech USA Incorporated ("**Legend USA**")	United States of America 31 August 2017	—	—	52.87	Manufacture and sale of life science research products and services
Legend Biotech Ireland Limited ("**Legend Ireland**")	Ireland 13 November 2017	—	—	52.87	Manufacture and sale of life science research products and services
Genscript Biotech (Netherlands) B.V. ("**GS EU**")	Netherlands 6 December 2017	—	—	100	Manufacture and sale of life science research products and services
CustomArray, Inc. ("**CustomArray**")	United States of America 1 January 2018	US$ 957,800	—	100	Manufacture and sale of life science research products and services
Genscript Biotech Singapore PTE. LTD. ("**Genscript Singapore**")	Singapore 28 November 2019	SGD 1,341,801	—	100	Manufacture and sale of life science research products and services
Probio Technology Limited ("**Probio Cayman**")	Cayman Islands 5 July 2021	—	—	100	Investment holding company
Nanjing Probio Biotech Co., Ltd.("**Probio Nanjing**")	PRC /Mainland China 7 July 2021	US$ 45,000,000	—	100	Manufacture and sale of life sciences research products and services
Jiangsu GenScript Probio Biotech Co., Ltd. ("**Probio Jiangsu**")	PRC /Mainland China 19 July 2021	US$ 36,000,000	—	100	Manufacture and sale of life sciences research products and services

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the revenue, gross profit and total assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Notes to Financial Statements

31 December 2022

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets and financial liabilities which have been measured at fair value. These financial statements are presented in United States dollars ("**US$**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

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

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

2.2 RESTATEMENT OF PREVIOUSLY ISSUED CONSOLIDATED FINANCIAL STATEMENTS

On 17 February 2023, Legend has restated its consolidated statements of financial position at 31 December 2021 and 2020, consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for each of the years ended 31 December 2021, 31 December 2020 and 31 December 2019, included in Legend's Annual Report on Form 20-F for the fiscal year ended 31 December 2021, which was originally filed with the U.S. Securities and Exchange Commission on 31 March 2022.

The Legend's restatement further affect the Group's previously issued consolidated financial statements and the Group has restated the comparative financial figures, including the Group's consolidated statements of financial position at 31 December 2021 and 1 January 2021, the Group's consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the fiscal year ended 31 December 2021. The restatement adjustments also affected periods prior to 1 January 2021 and such adjustments have been reflected in the restated opening equity balances as of 1 January 2021.

The individual restatement matters that underlie the restatement adjustments are described below.

2.2 RESTATEMENT OF PREVIOUSLY ISSUED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Revenue Recognition Adjustments

In December 2017, Legend entered into a worldwide collaboration and license agreement with Janssen Biotech, Inc. ("**Janssen**") for the worldwide development and commercialization of cilta-cel (the "**Janssen Agreement**"). Historically, Legend has recognized revenue under the Janssen Agreement pursuant to two performance obligations: (i) the sale of the commercial license for cilta-cel (the "**Commercial License**"), and (ii) service on the Joint Steering Committee (the "**JSC**") under the collaboration. The sale of the Commercial License was recognized as revenue at the time of sale and the service on the JSC was recognized as revenue over the term of the clinical development plan under the Janssen Agreement. Legend concluded that the transaction price, at inception of the Janssen Agreement, includes the fixed upfront fee of US$350,000,000 and US$50,000,000 of milestone payments that were highly probable of being achieved. All other potential milestone payments were considered variable consideration.

The Group has since determined the Janssen Agreement contains a contract with a customer (Janssen) in the scope of HKFRS 15 for a right to use our intellectual property (in the form of a license) and technology transfer service that form a single performance obligation. These elements of the Janssen Agreement are representative of a vendor-customer relationship as Janssen contracted with Legend to obtain a license of its intellectual property for LCAR-B38M and related technology transfer, which are an output of Legend's ordinary activities, in exchange for consideration. Janssen is not a customer for collaborative activities, including participation on the JSC, which are in the scope of other HKFRS standards. Also, the Group determined that the original stand-alone selling price of the Commercial License performance obligation was understated.

The Group has revised its accounting treatment to recognize revenue for the US$350,000,000 upfront fee and US$50,000,000 milestone license revenue in 2018, the year in which the single performance obligation to deliver the license of intellectual property, including a technology transfer service, was satisfied. Subsequent development, manufacturing and regulatory milestones will be recognized in full in the period in which it is highly probable a significant reversal of the cumulative revenue recognized for the HKFRS 15 contract will not occur, as they are associated with the performance obligation to deliver the license of intellectual property that was satisfied in 2018. Revenue for sales-based milestones will be recognized when the milestone is achieved pursuant to the royalty recognition constraint.

In connection with the restatement, the Group has also corrected the corresponding contract liabilities of previously deferred license and collaboration revenue as a result of the change in performance obligations identified.

2.2 RESTATEMENT OF PREVIOUSLY ISSUED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Collaboration Assets Adjustments

The Group has identified and corrected errors related to the accounting treatment of assets purchased by Legend or Janssen that are solely to be used by the collaboration and subject to the cost sharing terms and conditions in the Janssen Agreement (the "**Collaboration Assets**"). Historically, the Group recorded the Collaboration Assets it purchased from third party vendors, net of Janssen's share of these costs, as well as its share of the cost of the Collaboration Assets purchased by Janssen as property, plant and equipment.

The Group has revised its accounting treatment to record its share of the Collaborations Assets that are leased to and by the collaboration in accordance with HKFRS 16, Leases to correctly reflect the assets associated with the collaboration.

If Legend's collaboration partner owns the asset, and on the basis of the terms and conditions of the collaboration agreement, there is a lease from Legend's collaboration partner to the collaboration, the Group recognises a right-of-use asset and lease liability for its share of the asset leased from the collaboration partner to the collaboration. This is usually the case when the collaboration, through the JSC and other governance committees, has the right to direct the use and obtains substantially all of the economic benefits from using the asset. Lease payments the Group makes prior to lease commencement are recorded as prepaid rent within other non-current assets and will be reclassified to a right-of-use asset upon lease commencement.

If Legend owns the asset, and on the basis of the terms and conditions of the collaboration agreement, there is a lease from Legend to the collaboration, the Group recognises a finance lease for the asset it leases to the collaboration. In such cases, the Group's share of the asset that is jointly controlled by the collaboration is recorded in property, plant and equipment, and a lease receivable, which was included and presented in the Group's prepayments, other receivables and other assets, is recognised for the collaboration partner's share of the assets.

Income Taxes

The Group recorded adjustments to income taxes to reflect the impact of the restatement adjustments, as well as additional income tax adjustments related to the accounting for the Janssen Agreement.

The tables below present the impact of the restatement of the Group's previously issued consolidated financial statements, including the Group's consolidated statements of financial position at 31 December 2021 and 1 January 2021, the Group's consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year ended 31 December 2021.

Notes to Financial Statements

31 December 2022

2.2 RESTATEMENT OF PREVIOUSLY ISSUED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Consolidated statement of profit or loss for the year ended 31 December 2021

	Consolidated statement of profit or loss for the year ended 31 December 2021					
		Adjustments by category				
	As previously reported US$'000	Revenue recognition US$'000	Collaboration assets US$'000	Tax impacts US$'000	Total adjustments US$'000	As restated US$'000
REVENUE	511,062	(20,966)	—	—	(20,966)	490,096
Cost of sales	(207,578)	—	—	—	—	(207,578)
Gross profit	303,484	(20,966)	—	—	(20,966)	282,518
Other income and gains	17,250	—	—	—	—	17,250
Selling and distribution expenses	(167,969)	—	—	—	—	(167,969)
Administrative expenses	(134,508)	—	—	—	—	(134,508)
Research and development expenses	(358,401)	—	—	—	—	(358,401)
Fair value losses of preferred shares and warrants	(139,428)	—	—	—	—	(139,428)
Other expenses	(13,011)	—	—	—	—	(13,011)
Finance costs	(2,378)	—	—	—	—	(2,378)
Provision for impairment of financial assets, net	(1,414)	(22)	—	—	(22)	(1,436)
LOSS BEFORE TAX	(496,375)	(20,988)	—	—	(20,988)	(517,363)
Income tax (expense)/credit	(4,579)	—	—	3,615	3,615	(964)
LOSS FOR THE YEAR	(500,954)	(20,988)	—	3,615	(17,373)	(518,327)
Attributable to:						
Owners of the parent	(347,865)				(10,847)	(358,712)
Non-controlling interests	(153,089)				(6,526)	(159,615)
	(500,954)				(17,373)	(518,327)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT						
Basic (US cent per share)	(17.13)				(0.54)	(17.67)
Diluted (US cent per share)	(17.13)				(0.54)	(17.67)

2.2 RESTATEMENT OF PREVIOUSLY ISSUED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Consolidated statement of comprehensive income for the year ended 31 December 2021

	Consolidated statement of comprehensive income for the year ended 31 December 2021					
		Adjustments by category				
	As previously reported US$'000	Revenue recognition US$'000	Collaboration assets US$'000	Tax impacts US$'000	Total adjustments US$'000	As restated US$'000
LOSS FOR THE YEAR	(500,954)	(20,988)	—	3,615	(17,373)	(518,327)
OTHER COMPREHENSIVE INCOME						
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:						
Exchange differences:						
Exchange differences on translation of foreign operations	20,344				(5,405)	14,939
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	20,344				(5,405)	14,939
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	20,344				(5,405)	14,939
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(480,610)				(22,778)	(503,388)
Attributable to:						
Owners of the parent	(332,088)				(14,218)	(346,306)
Non-controlling interests	(148,522)				(8,560)	(157,082)
	(480,610)				(22,778)	(503,388)

2.2 RESTATEMENT OF PREVIOUSLY ISSUED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Consolidated statement of financial position as at 31 December 2021

	Consolidated statement of financial position as at 31 December 2021					
		Adjustments by category				
	As previously reported US$'000	Revenue recognition US$'000	Collaboration assets US$'000	Tax impacts US$'000	Total adjustments US$'000	As restated US$'000
NON-CURRENT ASSETS						
Property, plant and equipment	439,885	—	(43,218)	—	(43,218)	396,667
Advance payments for property, plant and equipment	18,512	—	—	—	—	18,512
Investment properties	6,882	—	—	—	—	6,882
Right-of-use assets	59,147	—	31,097	—	31,097	90,244
Goodwill	14,151	—	—	—	—	14,151
Other intangible assets	26,423	—	—	—	—	26,423
Investments in associates	3,318	—	—	—	—	3,318
Financial assets at fair value through profit or loss	10,444	—	—	—	—	10,444
Deferred tax assets	5,090	—	—	—	—	5,090
Time deposits	4,705	—	—	—	—	4,705
Other non-current assets	6,251	—	12,121	—	12,121	18,372
Total non-current assets	594,808	—	—	—	—	594,808
CURRENT ASSETS						
Inventories	44,358	—	—	—	—	44,358
Contract costs	8,877	—	—	—	—	8,877
Trade and notes receivables	142,345	—	—	—	—	142,345
Prepayments, other receivables and other assets	36,054	—	94	1,004	1,098	37,152
Financial assets at fair value through profit or loss	2,208	—	—	—	—	2,208
Financial assets measured at amortized cost	29,937	—	—	—	—	29,937
Loans to associates	1,680	—	—	—	—	1,680
Restricted cash	1,444	—	—	—	—	1,444
Time deposits	190,088	—	—	—	—	190,088
Cash and cash equivalents	1,180,971	—	—	—	—	1,180,971
Total current assets	1,637,962	—	94	1,004	1,098	1,639,060

2.2 RESTATEMENT OF PREVIOUSLY ISSUED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Consolidated statement of financial position as at 31 December 2021 (Continued)

	Consolidated statement of financial position as at 31 December 2021					
		Adjustments by category				
	As previously reported US$'000	Revenue recognition US$'000	Collaboration assets US$'000	Tax impacts US$'000	Total adjustments US$'000	As restated US$'000
CURRENT LIABILITIES						
Trade and bills payables	30,176	—	—	—	—	30,176
Other payables and accruals	213,469	—	94	—	94	213,563
Interest-bearing loans and other borrowings	521	—	—	—	—	521
Lease liabilities	7,510	—	—	—	—	7,510
Tax payable	6,236	—	—	9,488	9,488	15,724
Contract liabilities	95,377	(60,644)	—	—	(60,644)	34,733
Government grants	740	—	—	—	—	740
Financial liabilities at fair value through profit or loss	110,338	—	—	—	—	110,338
Total current liabilities	464,367	(60,644)	94	9,488	(51,062)	413,305
NET CURRENT ASSETS	1,173,595	60,644	—	(8,484)	52,160	1,225,755
TOTAL ASSETS LESS CURRENT LIABILITIES	1,768,403	60,644	—	(8,484)	52,160	1,820,563

Notes to Financial Statements

31 December 2022

2.2 RESTATEMENT OF PREVIOUSLY ISSUED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Consolidated statement of financial position as at 31 December 2021 (Continued)

	Consolidated statement of financial position as at 31 December 2021					
		Adjustments by category				
	As previously reported US$'000	Revenue recognition US$'000	Collaboration assets US$'000	Tax impacts US$'000	Total adjustments US$'000	As restated US$'000
NON-CURRENT LIABILITIES						
Interest-bearing loans and other borrowings	121,070	—	—	—	—	121,070
Lease liabilities	27,349	—	—	—	—	27,349
Contract liabilities	244,812	(242,578)	—	—	(242,578)	2,234
Deferred tax liabilities	7,730	—	—	—	—	7,730
Government grants	13,301	—	—	—	—	13,301
Financial liabilities at fair value through profit or loss	260,790	—	—	—	—	260,790
Other non-current liabilities	396	—	—	—	—	396
Total non-current liabilities	675,448	(242,578)	—	—	(242,578)	432,870
Net assets	1,092,955	303,222	—	(8,484)	294,738	1,387,693
EQUITY						
Share capital	2,096				—	2,096
Treasury shares	(15,753)				—	(15,753)
Reserves	893,408				166,241	1,059,649
Equity attributable to owners of the parent	879,751				166,241	1,045,992
Non-controlling interests	213,204				128,497	341,701
Total equity	1,092,955				294,738	1,387,693

2.2 RESTATEMENT OF PREVIOUSLY ISSUED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Consolidated statement of financial position as at 1 January 2021

	Consolidated statement of financial position as at 1 January 2021					
		Adjustments by category				
	As previously reported US$'000	Revenue recognition US$'000	Collaboration assets US$'000	Tax impacts US$'000	Total adjustments US$'000	As restated US$'000
NON-CURRENT ASSETS						
Property, plant and equipment	345,215	—	(40,749)	—	(40,749)	304,466
Advance payments for property, plant and equipment	5,906	—	—	—	—	5,906
Investment properties	7,726	—	—	—	—	7,726
Right-of-use assets	34,017	—	31,533	—	31,533	65,550
Goodwill	14,116	—	—	—	—	14,116
Other intangible assets	26,020	—	—	—	—	26,020
Investments in associates	3,433	—	—	—	—	3,433
Financial assets at fair value through profit or loss	10,555	—	—	—	—	10,555
Deferred tax assets	3,702	—	—	—	—	3,702
Other non-current assets	3,542	—	9,216	—	9,216	12,758
Total non-current assets	454,232	—	—	—	—	454,232
CURRENT ASSETS						
Inventories	31,745	—	—	—	—	31,745
Contract costs	5,785	—	—	—	—	5,785
Trade and notes receivables	141,748	22	—	—	22	141,770
Prepayments, other receivables and other assets	32,834	—	619	445	1,064	33,898
Financial assets at fair value through profit or loss	5,866	—	—	—	—	5,866
Loans to associates	2,422	—	—	—	—	2,422
Restricted cash	7,471	—	—	—	—	7,471
Time deposits	136,245	—	—	—	—	136,245
Cash and cash equivalents	629,058	—	—	—	—	629,058
Total current assets	993,174	22	619	445	1,086	994,260

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2.2 RESTATEMENT OF PREVIOUSLY ISSUED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Consolidated statement of financial position as at 1 January 2021 (Continued)

	Consolidated statement of financial position as at 1 January 2021					
		Adjustments by category				
	As previously reported US$'000	Revenue recognition US$'000	Collaboration assets US$'000	Tax impacts US$'000	Total adjustments US$'000	As restated US$'000
CURRENT LIABILITIES						
Trade and bills payables	23,376	—	—	—	—	23,376
Other payables and accruals	168,980	—	619	—	619	169,599
Interest-bearing loans and other borrowings	44,642	—	—	—	—	44,642
Lease liabilities	2,588	—	—	—	—	2,588
Tax payable	3,532	—	—	8,795	8,795	12,327
Contract liabilities	84,414	(55,014)	—	—	(55,014)	29,400
Government grants	379	—	—	—	—	379
Total current liabilities	327,911	(55,014)	619	8,795	(45,600)	282,311
NET CURRENT ASSETS	665,263	55,036	—	(8,350)	46,686	711,949
TOTAL ASSETS LESS CURRENT LIABILITIES	1,119,495	55,036	—	(8,350)	46,686	1,166,181

2.2 RESTATEMENT OF PREVIOUSLY ISSUED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Consolidated statement of financial position as at 1 January 2021 (Continued)

	Consolidated statement of financial position as at 1 January 2021					
		Adjustments by category				
	As previously reported US$'000	Revenue recognition US$'000	Collaboration assets US$'000	Tax impacts US$'000	Total adjustments US$'000	As restated US$'000
NON-CURRENT LIABILITIES						
Interest-bearing loans and other borrowings	1,260	—	—	—	—	1,260
Lease liabilities	6,513	—	—	—	—	6,513
Contract liabilities	277,052	(275,071)	—	—	(275,071)	1,981
Deferred tax liabilities	7,030	—	—	4,241	4,241	11,271
Government grants	11,495	—	—	—	—	11,495
Other non-current liabilities	554	—	—	—	—	554
Total non-current liabilities	303,904	(275,071)	—	4,241	(270,830)	33,074
Net assets	815,591	330,107	—	(12,591)	317,516	1,133,107
EQUITY						
Share capital	1,954				—	1,954
Treasury shares	(16,712)				—	(16,712)
Reserves	916,463				180,459	1,096,922
Equity attributable to owners of the parent	901,705				180,459	1,082,164
Non-controlling interests	(86,114)				137,057	50,943
Total equity	815,591				317,516	1,133,107

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2.2 RESTATEMENT OF PREVIOUSLY ISSUED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Consolidated statement of changes in equity for the year ended 31 December 2021

	Consolidated statement of changes in equity for the year ended 31 December 2021		
	As previously reported US$'000	Total adjustments US$'000	As restated US$'000
Share capital	2,096	—	2,096
Treasury shares	(15,753)	—	(15,753)
Reserves	893,408	166,241	1,059,649
Equity attributable to owners of the parent	879,751	166,241	1,045,992
Non-controlling interests	213,204	128,497	341,701
Total equity	1,092,955	294,738	1,387,693

2.2 RESTATEMENT OF PREVIOUSLY ISSUED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Consolidated statement of cash flows for the year ended 31 December 2021

	Consolidated statement of cash flows for the year ended 31 December 2021		
	As previously reported US$'000	Total adjustments US$'000	As restated US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax	(496,375)	(20,988)	(517,363)
Adjustments for:			
Provision for impairment of trade receivables	906	22	928
Provision for impairment of other receivables and other assets	508	—	508
Write-down of inventories to net realisable value	2,511	—	2,511
Depreciation of property, plant and equipment	38,553	(2,907)	35,646
Depreciation of investment properties	114	—	114
Depreciation of right-of-use assets	5,238	2,907	8,145
Amortisation of other intangible assets	3,874	—	3,874
Loss on disposal of items of property, plant and equipment	914	—	914
Interest income	(2,785)	—	(2,785)
Fair value losses of preferred shares and warrants	139,428	—	139,428
Investment income	(3,767)	—	(3,767)
Fair value changes on financial assets at fair value through profit or loss	(699)	—	(699)
Impairment of investments in associates	169	—	169
Finance costs	2,378	—	2,378
Deferred government grants	(609)	—	(609)
Foreign exchange differences, net	10,267	—	10,267
Equity-settled share-based compensation expense	39,691	—	39,691
	(259,684)	(20,966)	(280,650)
Decrease in trade and notes receivables	1,569	—	1,569
Increase in prepayments, other receivables and other assets	(9,277)	—	(9,277)
Increase in inventories	(15,135)	—	(15,135)
Increase in other non-current assets	(2,278)	—	(2,278)
Increase in contract costs	(3,092)	—	(3,092)
Increase in government grants	2,505	—	2,505
Increase in trade and bills payables	8,069	—	8,069
Increase in other payables and accruals	157,568	(1,344)	156,224
(Decrease)/increase in contract liabilities	(21,277)	22,310	1,033
Increase in other non-current liabilities	(158)	—	(158)
Decrease in restricted cash	3,185	—	3,185

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2.2 RESTATEMENT OF PREVIOUSLY ISSUED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Consolidated statement of cash flows for the year ended 31 December 2021 (Continued)

	Consolidated statement of cash flows for the year ended 31 December 2021		
	As previously reported US$'000	Total adjustments US$'000	As restated US$'000
CASH FLOWS FROM OPERATING ACTIVITIES (Continued)			
Cash used in operations	(138,005)	—	(138,005)
Interest received	3,502	—	3,502
Interest paid for finance rental lease payment	(797)	—	(797)
Interest paid	(779)	—	(779)
Income taxes paid	(3,709)	—	(3,709)
Income taxes received	2,998	—	2,998
Net cash flows used in operating activities	(136,790)	—	(136,790)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	(133,044)	1,708	(131,336)
Purchases of financial assets at fair value through profit or loss	(234,285)	—	(234,285)
Redemption of financial assets at fair value through profit or loss	240,126	—	240,126
Purchases of time deposits, net	(58,430)	—	(58,430)
Proceeds from disposal of property, plant and equipment	272	—	272
Purchases of intangible assets	(4,353)	—	(4,353)
Receipt of investment income	3,854	—	3,854
Decrease in restricted cash	2,842	—	2,842
Repayment of loans from associates	319	—	319
Purchase of financial assets measured at amortised cost	(29,849)	—	(29,849)
Prepayment to collaborator for collaboration right-of-use assets	—	(1,708)	(1,708)
Net cash flows used in investing activities	(212,548)	—	(212,548)

2.2 RESTATEMENT OF PREVIOUSLY ISSUED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Consolidated statement of cash flows for the year ended 31 December 2021 (Continued)

	Consolidated statement of cash flows for the year ended 31 December 2021		
	As previously reported US$'000	Total adjustments US$'000	As restated US$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares and warrants of the Company and its subsidiaries	697,900	—	697,900
Proceeds from issuance of Legend Cayman's ordinary shares for Follow-on Public Offering, net of issuance cost	233,440	—	233,440
Exercise of share options and restricted share units	19,889	—	19,889
Proceeds from loans and borrowings	26,041	—	26,041
Repayment of loans and borrowings	(71,216)	—	(71,216)
Principal portion of lease payments	(3,719)	—	(3,719)
Acquisition of non-controlling interests	(194)	—	(194)
Net cash flows generated from financing activities	902,141	—	902,141
NET INCREASE IN CASH AND CASH EQUIVALENTS	552,803	—	552,803
Cash and cash equivalents at beginning of the year	629,058	—	629,058
Effect of foreign exchange rate changes, net	(890)	—	(890)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	1,180,971	—	1,180,971
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	966,662	—	966,662
Non-pledged time deposits with original maturity of less than three months when acquired	214,309	—	214,309
Cash and cash equivalents as stated in the consolidated statement of financial position	1,180,971	—	1,180,971
Cash and cash equivalents as stated in the consolidated statement of cash flows	1,180,971	—	1,180,971

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2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

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

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

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

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(d) Annual Improvements to HKFRSs 2018–2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendment that is applicable to the Group are as follows:

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

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[2]
HKFRS 17	*Insurance Contracts*[1]
Amendments to HKFRS 17	*Insurance Contracts*[1, 5]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information*[6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "**2020 Amendments**")[2, 4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "**2022 Amendments**")[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[1]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

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

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

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion

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

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

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2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

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

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now. The amendments are not expected to have any significant impact on the Group's financial statements.

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

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

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

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

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

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

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated statement of comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

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

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

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

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

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

Fair value measurement

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

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

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

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

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

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (Continued)

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

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

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

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

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

Freehold land	Not depreciated
Buildings and leasehold improvements	2% to 20%
Machinery and equipment	$6^2/_3$% to $33^1/_3$%
Transportation equipment	10%
Computer and office equipment	20% to $33^1/_3$%

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are interests in buildings held to earn rental income, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Depreciation is calculated using a straight-line method to allocate the depreciable amounts over the estimated useful lives of 22 years.

The residual values and useful lives of investment properties are reviewed, and adjusted as appropriate, at each financial year end. The effects of any revision are included in the statement of profit or loss when the changes arise.

Intangible assets (other than goodwill)

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

Intangible assets are amortised on the straight-line basis over the following useful economic lives:

Software	2 to 10 years
Patents and licenses	5 to 10 years
Customer relationship	10 years

Research and development costs

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

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

Leases

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. At inception or on reassessment of a contract that contains a lease component and non-lease component, the Group elected to allocate the consideration in the contract to the lease and non-lease components on the basis of the relative standalone price of each component.

(a) Right-of-use assets

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

Leasehold land	50 years
Buildings and office premises	2 to 50 years

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

(b) Lease liabilities

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee (Continued)

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

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

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

Group as a lessor

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

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

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

Leases of Collaboration Assets

The Group, through Legend, and its collaboration partner purchase assets to be used for their collaboration and share the associated costs in accordance with the terms and conditions of the Janssen Agreement. The Group accounts for leases to and by the collaboration by applying the guidance in HKFRS 16 on joint arrangements by analogy.

If Legend's collaboration partner owns the asset, and on the basis of the terms and conditions of the Janssen Agreement, there is a lease from Legend's collaboration partner to the collaboration, the Group recognizes a right-of-use asset and lease liability for its share of the asset leased from the collaboration partner to the collaboration. This is usually the case when the collaboration, through the Joint Steering Committee ("**JSC**") and other governance committees, has the right to direct the use and obtains substantially all of the economic benefits from using the asset. Lease payments the Group makes prior to lease commencement are recorded as prepaid rent within other non-current assets and will be reclassified to a right-of-use asset upon lease commencement.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessor (Continued)

Leases of Collaboration Assets (Continued)

If Legend owns the asset, and on the basis of the terms and conditions of the Janssen Agreement, there is a lease from the Group to the collaboration, the Group recognizes a finance lease for the asset it leases to the collaboration. In such cases, the Group's share of the asset that is jointly controlled by the collaboration is recorded in property, plant and equipment, and a lease receivable is recognized for the collaboration partner's share of the asset on the consolidated statements of financial position within prepayments, other receivables and other assets.

The Group recognizes the full lease liability, rather than its share, for leases entered into on behalf of the collaboration if the Group has the primary responsibility for making the lease payments. This may be the case when the Group, as a lead operator of the collaboration, is the sole signatory to the lease. A finance sublease is subsequently recognized if the related right-of-use asset is subleased to the collaboration.

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Initial recognition and measurement (Continued)

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial assets at fair value through profit or loss

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

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets (Continued)

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

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

Impairment of financial assets

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

General approach

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

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

General approach (Continued)

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

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

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

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

Simplified approach

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables.

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

The Group's financial liabilities include trade and bills payables, other payables and accruals, financial liabilities at fair value through profit or loss, financial liability measured at amortized cost, interest-bearing loans and borrowings and lease liabilities.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (loans and other borrowings)

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Convertible redeemable preferred shares

The component of convertible redeemable preferred shares that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible redeemable preferred shares, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument; and this amount is initially carried as a long-term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in other reserve in equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent periods. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

(a) Collaboration inventories

Collaboration inventories include finished goods manufactured, items in the process of being manufactured, the materials to be used in the manufacturing process associated with goods that are to be sold to the Group's collaboration partner, and manufactured product that are pending quality release. Upon quality release, the product is delivered to the Group's collaboration partner to distribute to the customer.

Collaboration inventories are stated at the lower of cost and the collaboration inventory's net realizable value. Net realizable value is based on the estimated selling prices the collaboration sells the product to customers less any estimated costs to be incurred to completion and disposal.

The Group records provisions for obsolete, slow moving or defective inventory. Collaboration inventory costs for product that is used for preclinical and clinical programs are charged to research and development expenses when the inventory is dedicated to preclinical or clinical use. The Group records within prepayments, other receivables and other assets the accounts receivable related to inventory purchased and delivered to the Group's collaboration partner as well as the amount the Group is entitled to be reimbursed from its collaboration partner for inventory costs incurred that are in process of production.

Cash and cash equivalents

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

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

Time deposits represent cash placed with banks with original maturities of more than three months when acquired. The time deposits are presented as a non-current asset if the collection of time deposits is expected more than one year.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

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

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

Income tax

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

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

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

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

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

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

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

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

Government grants

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

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

Revenue recognition

Revenue from contracts with customers

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Contracts may be amended to account for changes in contract specifications and requirements. Contract modifications exist when the amendment either creates new, or changes existing, enforceable rights and obligations. When contract modifications create new performance obligations and the increase in consideration approximates the stand-alone selling price for goods and services related to such new performance obligations as adjusted for specific facts and circumstances of the contract, the modification is considered to be a separate contract.

If a contract modification is not accounted for as a separate contract, the Group accounts for the promised goods or services not yet transferred at the date of the contract modification (the remaining promised goods or services) prospectively, as if it were a termination of the existing contract and the creation of a new contract, if the remaining goods or services are distinct from the goods or services transferred on or before the date of the contract modification. For a change in transaction price that occurs after a contract modification, the Group allocates the change in the transaction price to the performance obligations identified in the contract before the modification if, and to the extent that, the change in the transaction price is attributable to an amount of variable consideration promised before the modification.

The Group accounts for a contract modification as if it were a part of the existing contract if the remaining goods or services are not distinct and, therefore, form part of a single performance obligation that is partially satisfied at the date of the contract modification. In such case, the effect that the contract modification has on the transaction price, and on the entity's measure of progress toward complete satisfaction of the performance obligation, is recognized as an adjustment to revenue (either as an increase in or a reduction of revenue) at the date of the contract modification (the adjustment to revenue is made on a cumulative catch-up basis).

(a) Life science services and products

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.

Rendering of services

Revenue for services rendered mainly represent the Group's life-science services and biologics development services.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(a) Life science services and products (Continued)

Rendering of services (Continued)

A performance obligation represents a service (or a bundle of services) that is distinct or a series of distinct services that are substantially the same. For contracts that contains more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis. The stand-alone selling price of each performance obligation is determined at contract inception. It represents the price at which the Group would sell the promised service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised services to the customer.

Revenue is recognised at the point in time when the Group transfer the control for underlying services and have right to payment from the customers for the services performed, upon the delivery or acceptance of the underlying services.

The Group's revenue for life science services and product is recognised at a point in time when the Group transfers the control for services/deliverable units or products to customers and has right to payment from the customers upon the finalisation, delivery and acceptance of the promised services/deliverable units or the delivery and acceptance of the promised products.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery or acceptance of the goods.

(b) License and collaboration arrangements

The Group usually entered into license and collaboration agreements with customers for research, development manufacturing and commercialization services. The terms of these arrangements usually include non-refundable upfront fees, milestone payments and royalties. These contracts generally do not include a significant financing component.

As part of the accounting for these arrangements, the Group must use significant judgement to determine: (a) the performance obligations; and (b) the method to estimate variable consideration.

At contract inception, the Group assesses the goods or services promised within each contract and determines those that are performance obligations and assesses whether each promised good or service is distinct.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(b) License and collaboration arrangements (Continued)

The Group uses judgement to determine whether milestones or other variable consideration, except for royalties, should be included in the transaction price. The transaction price is allocated to each performance obligation on a relative stand-alone selling price basis, for which the Group recognises revenue as or when the performance obligations under the contract are satisfied. If a milestone or other variable consideration relates specifically to the Group's efforts to satisfy a single performance obligation or to a specific outcome from satisfying the performance obligation, the Group generally allocates that milestone amount entirely to that performance obligation once it is highly probable that a significant revenue reversal would not occur.

The Group recognises revenue only when it satisfies a performance obligation by transferring control of the promised goods or services. The transfer of control can occur over time or at a point in time. A performance obligation is satisfied over time if it meets one of the following criteria:

- The counterparty 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 counterparty controls as the asset is created or enhanced.
- 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.

The portion of the transaction price that is allocated to performance obligations satisfied at a point in time is recognised as revenue when control of the goods or services is transferred to the counterparty. If the performance obligation is satisfied over time, the portion of the transaction price allocated to that performance obligation is recognised as revenue as the performance obligation is satisfied. The Group adopts an appropriate method of measuring progress for purposes of recognizing revenue. The Group evaluates the measure of progress at the end of each reporting period and, if necessary, adjusts the measure of performance and related revenue recognition.

Licenses of intellectual property

For collaboration arrangements that include a grant of a license to the Group's intellectual property, in assessing whether a license is distinct from the other promises, the Group considers whether the counterparty can benefit from a license for its intended purpose without the receipt of the remaining promise(s) by considering whether the value of the license is dependent on the unsatisfied promise(s), whether there are other vendors that could provide the remaining promise(s), and whether it is separately identifiable from the remaining promise(s). The Group evaluates the nature of a promise to grant a license in order to determine whether the promise is satisfied over time or at a point in time.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(b) License and collaboration arrangements (Continued)

Upfront fees

Upfront payment is allocated to the performance obligations based on the Group's best estimate of their relative stand-alone selling prices.

Milestone payments

Milestone payments represent a form of variable consideration which are included in the transaction price to the extent that it is highly probable that a significant reversal of accumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. At the inception of each arrangement that includes milestone payments, the Group evaluates whether the milestones are considered highly probable of being achieved and estimates the amount to be included in the transaction price using the most likely amount method. If it is highly probable that a significant reversal of cumulative revenue would not occur, the associated milestone value is included in the transaction price. Milestone payments that are not within the control of the Group, such as regulatory approvals, are not considered highly probable of being achieved until those approvals are received. The Group evaluates factors such as the scientific, clinical, regulatory, commercial, and other risks that must be overcome to achieve the particular milestone in making this assessment. There is considerable judgement involved in determining whether it is highly probable that a significant reversal of cumulative revenue would not occur. At the end of each subsequent reporting period, the Group re-evaluates the probability of achievement of all milestones subject to constraint and, if necessary, adjusts its estimate of the overall transaction price. The milestone payments were allocated to the performance obligations based on the Group's best estimate of their relative stand-alone selling prices unless the milestone payments are allocated entirely to the performance obligation which the milestone payments are specifically related to.

Royalties

The Group recognises revenue for sales-based royalties promised in exchange for a license of intellectual property only when (or as) the later of the following events occurs:

- the subsequent sale occurs; and

- the performance obligation to which some or all of the sales-based royalty has been allocated has been satisfied (or partially satisfied).

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(b) License and collaboration arrangements (Continued)

License and collaboration revenue for cell therapy — Legend

Legend, entered into a license and collaboration agreement with one customer (Janssen). The terms of the arrangement include: non-refundable upfront fees of US$350,000,000 and milestone payments for the achievement of specified manufacturing milestones, specified development milestones, specified regulatory milestones and specified net trade sales milestones of US$125,000,000, US$215,000,000, US$800,000,000 and US$210,000,000, respectively. Legend has assessed that there is one distinct performance obligation, being the transfer of a license of intellectual property, including a technology transfer service. Legend considers this performance obligation is distinct from other collaborative activities as the license has stand-alone value without Legend being further involved in the research and development or other collaborative activities. Upon contract inception, Legend has estimated that the total transaction price is constrained to US$400,000,000 which included upfront fees of US$350,000,000 and milestone payments of US$50,000,000. The transaction price was allocated to the single performance obligation in the contract.

(i) Upfront fees

Upfront payment is allocated to the single performance obligation in the Janssen Agreement. The upfront fees of US$350,000,000 were included in the transaction price upon contract inception in 2017 and were recognized when the single performance obligation to deliver the intellectual property, including a technology transfer service, was completed in 2018. The US$350,000,000 upfront fees were fully received by the Legend in 2018.

(ii) Milestone payments

Certain milestone payments were allocated to the single performance obligation in the Janssen Agreement to deliver the license of intellectual property, including the technology transfer service. The initial two milestone payments of aggregate US$50,000,000 were included in the transaction price at contract inception in 2017 and were recognized when the single performance obligation was completed in 2018. Subsequently in 2019, an additional two milestone payments of US$60,000,000 were included in the transaction price when the milestones triggered by dosing of a specified number of patients in the CARTITUDE-1 clinical trial were achieved. In 2020, an additional milestone with a payment of US$75,000,000 was achieved relating to the clinical development of cilta-cel. In 2021, three additional milestone payments amounting to US$65,000,000 were achieved relating to the submission of a Marketing Authorization to the EMA, enrollment of a specified number of patients in the CARTITUDE-5 clinical trial and filing of a Drug approval application for a product by the Ministry of Health, Labour and Welfare in Japan. In 2022, additional milestone payments of US$50,000,000 were achieved in connection with the submission of a NDA to the PMDA in Japan, the enrollment of a specified number of patients in the Legend's CARTITUDE-5 clinical trial and in connection with the receipt of a commercialization approval for cilta-cel in the U.S.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(b) License and collaboration arrangements (Continued)

License and collaboration revenue for cell therapy — Legend (Continued)

(ii) Milestone payments (Continued)

As of 31 December 2022, pursuant to the Janssen Agreement, the remaining future contractual milestone payments for Legend aggregated to US$1,050,000,000 for the achievement of various development, regulatory, manufacturing and net trade sales milestones. More specifically, the future contractual milestones consist of US$125,000,000 for the achievement of specified manufacturing milestones, US$60,000,000 for the achievement of specified development milestones, US$655,000,000 for the achievement of specified regulatory milestones and US$210,000,000 for the achievement of specified net trade sales milestones. Legend's development plans and research progresses might change from time to time, which would increase the uncertainties of achieving future contractual milestones. Legend does not believe US$280,000,000 of the remaining US$1,050,000,000 contractual milestone payments would be eligible to be received based on a subsequent change in development plan with the collaborator. Furthermore, Legend assessed that achievement of all the remaining contractual milestones is highly uncertain and the related milestone payments are not included in the transaction price. The milestone is achieved when the triggering event described in the agreement occurs.

(iii) Profit sharing

Legend and Janssen share equally profits on sales of CARVYKTI in all areas other than the People's Republic of China, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan ("**Greater China**"), where Legend retains or bears 70 percent of pre-tax profits or losses. In all areas other than Greater China, as Janssen is the principal in the sale transaction with the customer, Legend recognizes a pro-rata share of collaboration net trade sales in the period Janssen completes the sale and delivers the product to the customer. Legend's share of collaboration net trade sales in all areas other than Greater China are recognized within license and collaboration revenue on the statement of profit or loss. Subsequent to regulatory approval, revenue from sales of product in Greater China will be recognized as product sales on the statement of profit or loss as Legend will be the principal in the sale to the customer.

(iv) Collaborative activities

In addition to the license of intellectual property, the Janssen Agreement includes joint development, manufacturing and commercial activities that are performed by Legend and its collaboration partner. These activities and the related consideration for these activities are outside the scope of HKFRS 15 as Legend and its collaboration partner are both active participants in the activities and are exposed to significant risks and rewards of such activities.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(b) License and collaboration arrangements (Continued)

License and collaboration revenue for cell therapy — Legend (Continued)

(v) Product Sales

Revenue from the sale of goods is recognized at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods. To date Legend has not generated any product sales in Greater China. Legend's share of collaboration net trade sales in which Janssen is the principal in the sale transaction with the customer is recognized as license and collaboration revenue on the statement of profit or loss.

(vi) Collaboration cost of revenue

Collaboration cost of revenue relates to the sale of CARVYKTI and includes costs incurred by Legend as well as Legend's pro-rata share of collaboration cost of revenue. Collaboration cost of revenue includes the cost of inventory sold, manufacturing costs, other costs attributable to production, and provisions to write down inventory, such as for excess and obsolete inventory or inventory that did not meet quality specifications.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Other income

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

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities

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

Notes to Financial Statements

31 December 2022

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Share-based payments

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in Note 36 and Note 37 to the financial statements.

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

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

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

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

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

Other employee benefits

Pension schemes

The Group participates in the national pension schemes as defined by the laws of the countries and regions in which it has operations.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

The non-PRC employees are covered by other defined contribution pension plans sponsored by the respective local governments.

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31 December 2022

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

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

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the Note 11 to the financial statements.

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

Foreign currencies

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

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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

The functional currencies of certain subsidiaries established in the PRC, Japan, Europe, Singapore and Hong Kong are currencies other than the US$. As at the end of the reporting period, the assets and liabilities of these entities are translated into United States dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into US$ at the exchange rate that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statements of cash flows, the cash flows established in the subsidiaries are translated into US$ at exchange rates that approximate to those prevailing at the dates of the transactions. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into US$ at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgement

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

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Judgement (Continued)

Revenue from contracts with customers

The Group has applied the following judgements that significantly affect the determination of the performance obligations and the method to estimate variable consideration of revenue from contracts with customers, specifically under the Janssen Agreement:

(i) Determining the performance of obligations of the contract

A good or service that is promised to a customer is distinct if both of the following criteria are met: (a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer; and (b) the entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract. The Group determined that the license is capable of being distinct under the Janssen Agreement. In assessing whether the license under the Janssen Agreement has standalone value to the customer, the Group considers factors such as the research, manufacturing, and commercialization capabilities of the collaboration partner and the availability of the associated expertise in the general marketplace, which indicates that the customer can benefit from the license on its own. The Group determined that the license of intellectual property and technology transfer service form a single performance obligation under the Janssen Agreement. The license of intellectual property and technology transfer are highly interdependent and are not separately identifiable from each other. The technology transfer is essential for the customer's ability to obtain the use of and benefit from the license. The promise to transfer the license, including a technology transfer service, is distinct within the context of the contract. The license of intellectual property, including a technology transfer service, is separately identifiable in the contract and is meant to be transferred separate from other collaborative activities. The license, including a technology transfer service, is not an input that will be integrated with the service which represents a combined output. The preparation and attendance of the various steering committees and participation in the collaborative activities (e.g. joint development) is to assist in conducting clinical trials and obtaining regulatory approval of the technology, but does not modify the license and technology. In addition, the license, including the technology transfer service, is not highly interdependent or highly interrelated with the JSC and other collaborative activities, because the delivery of license and technology transfer service is not dependent on these activities to be provided in the future, and accordingly, it is not interdependent or interrelated with these activities.

In determining whether the license, including the technology transfer service, transfers to a customer either at a point in time or over time, the Legend considers whether the nature of the Group's promise in granting the license to a customer is to provide a right to access or a right to use the Group's intellectual property. The Group assessed that the Group provides a right to use the license as the license under the Janssen Agreement exists (in terms of form and functionality) at a point in time at which it is granted and the technology transfer occurred, which is when the customer can use and benefit from the license. The license is already developed and has positive results on cancer patient candidates. The next step is to perform clinical trials again in a controlled and monitored environment.

The Group has allocated the entire transaction price to the license of intellectual property under the Janssen Agreement, as this is the sole performance obligation in the arrangement.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Judgement (Continued)

Revenue from contracts with customers (Continued)

(ii) Determining the method to estimate variable consideration

Certain contracts include milestone payments that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled. The Group determined that the most likely amount method is the appropriate method to use in estimating the variable consideration for the milestone payments as this method better predicts the amount of variable consideration to which the Group will be entitled.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group evaluates factors such as the scientific, clinical, regulatory, commercial, and other risks that must be overcome to achieve the particular milestone in making this assessment.

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The net carrying amount of goodwill as at 31 December 2022 was US$2,547,000 (2021: US$14,151,000). Further details are given in Note 16 to the financial statements.

Impairment of non-financial assets (other than goodwill)

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

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns by product type and rating.

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 22 to the financial statements.

Leases — Estimating the incremental borrowing rate

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

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The outcome of their actual utilisation may be different. The carrying value of deferred tax assets relating to recognised deductible temporary differences and unused tax losses, after considering the offset with deferred tax liabilities, at 31 December 2022 was US$15,045,000(2021: US$5,090,000). The amount of unrecognised deferred tax assets as at 31 December 2022 and 2021 was US$1,177,034,000 and US$641,994,000, respectively. More details are given in Note 34 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Net realisable value of inventories and contract costs

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in market conditions. Management reassesses these estimates at each reporting date. At 31 December 2022, the net carrying value of inventories was US$59,935,000 (2021: US$44,358,000), and the net carrying value of contract costs was US$16,490,000 (2021: US$8,877,000). More details are given in Note 20 and Note 21 to the financial statements.

Share-based compensation

The fair value of share options granted by the Group is estimated using valuation techniques, including the binomial model and the Black-Scholes model. The use of these valuation models require management to make certain assumptions with respect to selected model inputs. Management estimates expected volatility based on the historical volatility of the stock of comparable companies. Expiration date is the basis for determining the expected life of an option. The risk-free interest rate is based on treasury yield curve rates with a remaining term which approximates to the expected life assumed at the date of grant. Changes in these input variables would affect the amount of expense associated with share-based compensation. The compensation expense recognised for all share-based awards is net of estimated forfeitures. The Group estimates forfeiture rates based on historical analysis of option forfeitures. If actual forfeitures vary from estimated forfeitures, adjustments to compensation expense may be required. For the year ended 31 December 2022, the equity-settled share-based compensation expense was US$65,154,000 (2021: US$39,691,000).

Fair value of convertible redeemable preferred shares

For convertible redeemable preferred shares designated by the Group as financial liabilities at fair value through profit or loss, the fair value is determined by using the valuation techniques, including the discounted cash flow method and the back-solve method. Such valuation requires the Group to make estimates of the key assumptions including the risk-free interest rate, discount for lack of marketability ("**DLOM**") and volatility, which are subject to uncertainty and might materially differ from the actual results. Further details are included in Note 45 to the financial statement.

Fair value of warrant liabilities

The fair value of the warrant liabilities is determined by using Black-Scholes model and binomial model The valuation technique requires significant inputs, including but not limited to, the fair value of the underlying ordinary share, the risk-free interest rate, volatility and etc., which are subject to uncertainty and might materially differ from the actual results. Further details are contained in Note 45 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(a) The life-science services and products unit provide comprehensive research services and products, which are widely used and are fundamental to life-science research and application;

(b) The biologics development services unit provides comprehensive services aimed to help biopharmaceutical and biotech companies accelerate the development of therapeutic antibodies, and gene/cell therapy products with an integrated platform;

(c) The industrial synthetic biology products unit provides industrial enzyme development and production through non-pathogenic microbial strains constructed using genetic engineering;

(d) The cell therapy unit discovers and develops innovative CAR-T therapies for the treatment of liquid and solid tumors;

(e) The operation unit mainly provides shared services to other segments.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax.

No analysis of the Group's assets and liabilities by operating segments is disclosed as it is not regularly provided to the chief operating decision maker for review.

4. OPERATING SEGMENT INFORMATION (Continued)

For the year ended 31 December 2022	Life-science services and products US$'000	Biologics development services US$'000	Industrial synthetic biology products US$'000	Cell therapy US$'000	Operation unit US$'000	Eliminations US$'000	Total US$'000
Segment revenue (Note 5)							
Sales to external customers	349,803	120,155	38,227	116,677	836	–	625,698
Intersegment sales	10,737	4,854	437	328	55,284	(71,640)	–
Total revenue	360,540	125,009	38,664	117,005	56,120	(71,640)	625,698
Segment cost of sales	(162,207)	(90,361)	(22,055)	(65,363)	(47,606)	65,977	(321,615)
Segment gross profit	198,333	34,648	16,609	51,642	8,514	(5,663)	304,083
Other income and gains	1,364	5,519	1,291	12,049	12,472	(7,590)	25,105
Selling and distribution expenses	(54,359)	(15,321)	(3,559)	(93,417)	(1,935)	242	(168,349)
Administrative expenses	(47,836)	(24,929)	(5,464)	(80,631)	(25,736)	2,134	(182,462)
Research and development expenses	(42,524)	(7,854)	(4,768)	(335,648)	(3,377)	4,075	(390,096)
Fair value gains/(losses) of preferred shares and warrants	–	2,229	–	20,900	–	(4,360)	18,769
Other expenses	(11,667)	(47)	(22)	(9,823)	(14,257)	11,524	(24,292)
Finance costs	–	(1,959)	(22)	(10,796)	(1,334)	842	(13,269)
Share of losses of an associate	–	–	(27)	–	–	–	(27)
Provision for impairment of financial assets, net	(502)	–	(422)	–	(228)	–	(1,152)
Profit/(loss) before tax	42,809	(7,714)	3,616	(445,724)	(25,881)	1,204	(431,690)
Income tax (expense)/credit	–	(2,055)	(446)	(625)	6,845	–	3,719
Profit/(loss) for the year	42,809	(9,769)	3,170	(446,349)	(19,036)	1,204	(427,971)

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4. OPERATING SEGMENT INFORMATION (Continued)

For the year ended 31 December 2021	Life-science services and products US$'000	Biologics development services US$'000	Industrial synthetic biology products US$'000	Cell therapy US$'000 (Restated)	Operation unit US$'000	Eliminations US$'000	Total US$'000 (Restated)
Segment revenue (Note 5)							
Sales to external customers	305,897	80,256	38,196	65,402	345	—	490,096
Intersegment sales	9,897	1,095	370	3,424	9,246	(24,032)	—
Total revenue	315,794	81,351	38,566	68,826	9,591	(24,032)	490,096
Segment cost of sales	(132,462)	(55,757)	(27,250)	—	(4,360)	12,251	(207,578)
Segment gross profit	183,332	25,594	11,316	68,826	5,231	(11,781)	282,518
Other income and gains	—	537	1,320	3,059	25,297	(12,963)	17,250
Selling and distribution expenses	(49,069)	(13,436)	(2,885)	(102,542)	(12)	(25)	(167,969)
Administrative expenses	(9,014)	(6,868)	(3,203)	(46,961)	(72,365)	3,903	(134,508)
Research and development expenses	(32,850)	(9,575)	(5,232)	(313,346)	(2,272)	4,874	(358,401)
Fair value losses of preferred shares and warrants	—	(143,278)	—	(6,200)	—	10,050	(139,428)
Other expenses	—	(879)	(512)	(9,132)	(5,394)	2,906	(13,011)
Finance costs	—	(104)	(116)	(900)	(1,374)	116	(2,378)
Provision for impairment of financial assets, net	(755)	(137)	(36)	—	(508)	—	(1,436)
Profit/(loss) before tax	91,644	(148,146)	652	(407,196)	(51,397)	(2,920)	(517,363)
Income tax (expense)/credit	—	(531)	(198)	3,614	(3,849)	—	(964)
Profit/(loss) for the year	91,644	(148,677)	454	(403,582)	(55,246)	(2,920)	(518,327)

4. OPERATING SEGMENT INFORMATION (Continued)

Geographic information

(a) Revenue from external customers

	2022 US$'000	2021 (Restated) US$'000
The United States of America	**332,097**	246,230
Mainland China	**166,750**	144,352
Europe	**53,284**	43,404
Asia Pacific (excluding Mainland China)	**59,012**	42,388
Others	**14,555**	13,722
Total	**625,698**	490,096

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2022 US$'000	2021 (Restated) US$'000
Mainland China	**534,905**	361,628
The United States of America	**146,323**	191,425
Others	**73,503**	21,516
Total	**754,731**	574,569

The non-current asset information above is based on the locations of assets and excludes deferred tax assets and financial instruments.

Information about a major customer

No revenue from the Group's sales to a single customer amounted to 10.0% or more of the Group's total revenues during the year ended 31 December 2022. Approximately US$65,402,000 or 13.3% of the Group's total revenues was derived from sales by the cell therapy segment to a single customer during the year ended 31 December 2021.

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5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022 US$'000	2021 (Restated) US$'000
Revenue from contracts with customers	624,750	489,635
Gross rental income from operating leases	419	461
Others	529	—
	625,698	490,096

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2022

Segments	Life-science services and products US$'000	Biologics development services US$'000	Industrial synthetic biology products US$'000	Cell therapy US$'000	Total US$'000
Types of goods or services					
Rendering of services and sales of products	349,803	118,803	35,887	—	504,493
License and collaboration revenue	—	1,352	2,228	116,677	120,257
Total revenue from contracts with customers	349,803	120,155	38,115	116,677	624,750
Timing of revenue recognition					
Goods and services transferred at a point in time	349,803	118,803	35,887	—	504,493
Licenses transferred at a point in time	—	1,352	2,228	50,000	53,580
Collaboration revenue at a point in time	—	—	—	66,677	66,677
Total revenue from contracts with customers	349,803	120,155	38,115	116,677	624,750

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(a) Disaggregated revenue information (Continued)

For the year ended 31 December 2021(Restated)

Segments	Life-science services and products US$'000	Biologics development services US$'000	Industrial synthetic biology products US$'000	Cell therapy US$'000 (Restated)	Total US$'000 (Restated)
Types of goods or services					
Rendering of services and sales of products	305,897	76,167	38,080	—	420,144
License and collaboration revenue	—	4,089	—	65,402	69,491
Total revenue from contracts with customers	305,897	80,256	38,080	65,402	489,635
Timing of revenue recognition					
Goods transferred at a point in time	305,897	76,167	38,080	—	420,144
Licenses transferred at a point in time	—	4,089	—	65,402	69,491
Total revenue from contracts with customers	305,897	80,256	38,080	65,402	489,635

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2022 **US$'000**	2021 (Restated) US$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Rendering of services and sales of products	**34,733**	29,400

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5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(b) Performance obligations

Information about the Group's performance obligations is summarised in Note 2.5.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2022 are as follows:

	2022 US$'000	2021 (Restated) US$'000
Amounts expected to be recognised as revenue:		
Within one year	**41,675**	34,733
More than one year	**2,010**	2,234
	43,685	36,967

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to license and collaboration revenue, of which the performance obligations for service are expected to be satisfied at a point in time over one year. The amounts disclosed above do not include variable consideration which is constrained.

Other income and gains

	2022 US$'000	2021 US$'000
Other income		
Bank interest income	**13,218**	2,785
Government grants	**9,068**	9,148
Investment income, net	**—**	3,767
Others	**88**	35
	22,374	15,735
Gains		
Fair value gains on financial assets at fair value through profit or loss, net	**—**	699
Others	**2,731**	816
	2,731	1,515
	25,105	17,250

6. LOSS BEFORE TAX

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

	Notes	2022 US$'000	2021 (Restated) US$'000
Cost of services and products		144,340	110,590
Depreciation of property, plant and equipment	13	46,637	35,646
Depreciation of investment properties	14	90	114
Depreciation of right-of-use assets	15	12,104	8,145
Amortisation of other intangible assets	17	5,417	3,874
Impairment of financial assets, net:			
Provision for impairment of trade receivables	22	1,290	928
(Reversal of)/provision for impairment of other receivables and other assets		(138)	508
Impairment of investment in associates	18	—	169
Impairment loss on goodwill and other long-term assets		11,477	1,699
Lease payments not included in the measurement of lease liabilities	15	3,358	955
(Reversal)/write-down of inventories to net realisable value		(1,201)	2,511
Auditors' remuneration		1,492	664
Employee benefit expenses (including directors' and chief executive's remuneration):			
Wages and salaries		354,317	282,928
Pension scheme contributions (defined contribution schemes)		20,500	13,943
Equity-settled share-based compensation expense		65,154	39,691
		439,971	336,562
Foreign exchange differences, net		3,896	10,267
Loss on disposal of property, plant and equipment		772	914
Service fee and other cost for equity financing activities		2,914	920
Fair value (gains)/losses of preferred shares and warrants	32	(18,769)	139,428
Gains of wealth management products		(2,593)	(1,536)
Losses/(gains) on foreign currency forward contracts		8,191	(3,686)
Fair value losses/(gains) of non-current financial assets		1,409	(312)

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7. FINANCE COSTS

	2022 US$'000	2021 US$'000
Collaboration interest-bearing advanced funding	10,269	758
Interest on lease liabilities	1,632	797
Interest on financial liabilities measured at amortized cost	1,103	—
Interest on bank loans	265	823
	13,269	2,378

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2022 US$'000	2021 US$'000
Fee	276	234
Other emoluments:		
Salaries, allowances and benefits in kind	1,275	1,410
Performance related bonuses	678	624
Equity-settled share-based compensation expense	1,959	1,309
Pension scheme contributions	17	14
	3,929	3,357
	4,205	3,591

For the years ended 31 December 2022 and 2021, the Group granted restricted stock shares to certain directors in respect of their services to the Group, under the restricted stock shares scheme of the Group, further details of which are set out in Note 36 to the financial statements. The fair value of such restricted stock shares, which has been recognized in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(a) Independent non-executive directors

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

	2022 US$'000	2021 US$'000
Mr. Guo Hongxin	46	39
Mr. Dai Zumian	46	39
Mr. Pan Jiu'an	46	39
Dr. Wang Xuehai	46	39
	184	156

The equity-settled share-based compensation expense of independent non-executive directors during the year was as follows:

	2022 US$'000	2021 US$'000
Mr. Guo Hongxin	49	49
Mr. Dai Zumian	59	49
Mr. Pan Jiu'an	78	59
Dr. Wang Xuehai	74	78
	260	235

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

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8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive directors, non-executive directors and the chief executive

	Fees US$'000	Salaries Allowances and benefits in kind* US$'000	Performance Related Bonuses US$'000	Equity-settled share-based compensation expense US$'000	Pension Scheme Contributions US$'000	Total remuneration US$'000
2022						
Executive directors:						
Dr. Zhang Fangliang[1]	–	258	8	–	5	271
Mr. Meng Jiange	–	521	172	375	–	1,068
Ms. Wang Ye	–	299	156	154	6	615
Dr. Zhu Li	–	197	83	249	–	529
	–	1,275	419	778	11	2,483
Non-executive directors:						
Mr. Pan Yuexin	46	–	–	18	–	64
Ms. Wang Jiafen	46	–	–	5	–	51
Dr. Wang Luquan	–	–	–	–	–	–
	92	–	–	23	–	115
Chief executive:						
Mr. Liu Zhenyu	–	395	259	1,067	6	1,727
	92	1,670	678	1,868	17	4,325
2021						
Executive directors:						
Mr. Meng Jiange	—	290	145	274	7	716
Ms. Wang Ye	—	531	153	315	—	999
Dr. Zhu Li	—	194	71	303	—	568
	—	1,015	369	892	7	2,283
Non-executive directors:						
Mr. Pan Yuexin	39	—	—	49	—	88
Ms. Wang Jiafen	39	—	—	59	—	98
Dr. Wang Luquan	—	—	—	—	—	—
	78	—	—	108	—	186
Chief executive:						
Mr. Liu Zhenyu	—	395	255	74	7	731
	78	1,410	624	1,074	14	3,200

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive directors, non-executive directors and the chief executive (Continued)

* The benefits in kind include contributions made for directors' social security in the United States of America and other commercial insurance paid by the Group.

1 Dr. Zhang Fangliang was appointed as an non-executive director effective from 2 May 2022 and has been redesignated from a non-executive director to an executive director with effect from 17 December 2022.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year ended 31 December 2022 (2021: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included no director (2021: Nil) and one chief executives (2021: Nil). Details of the remuneration for the year of the four (2021: five) highest paid employees who are neither a director nor chief executive of the Group are as follows:

	2022 US$'000	2021 US$'000
Salaries, allowances and benefits in kind	**2,279**	2,266
Performance related bonuses	**921**	1,210
Equity-settled share-based compensation expense	**8,397**	3,868
Pension scheme contributions	**6**	12
	11,603	7,356

The number of the non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2022	2021
HK$7,000,001 to HK$8,000,000	**—**	1
HK$8,000,001 to HK$9,000,000	**—**	1
HK$9,000,001 to HK$10,000,000	**1**	1
HK$10,000,001 to HK$11,000,000	**—**	1
HK$12,000,001 to HK$13,000,000	**1**	—
HK$20,000,001 to HK$21,000,000	**—**	1
HK$33,000,001 to HK$34,000,000	**1**	—
HK$34,000,001 to HK$35,000,000	**1**	—
	4	5

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10. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands in 2022 and 2021.

Hong Kong profits tax was subject to the two-tiered profits tax rates regime. The first HK$2,000,000 (2021: HK$2,000,000) of assessable profits were taxed at 8.25% (2021: 8.25%) and the remaining assessable profits were taxed at 16.5% (2021: 16.5%).

The subsidiaries of the Group operating in the United States of America were subject to federal tax at a rate of 21% (2021: 21%) and state tax at rates ranging from 2.5% to 11.5% (2021: 4.9% to 11.5%) during the year.

The subsidiary of the Group operating in Ireland was subject to income tax at the rate of 12.5% (2021: 12.5%) on the estimated assessable profits arising in Ireland during the year. Any non-trading income is subject to income tax at a rate of 25% (2021: 25%). Dividend withholding tax is imposed on distributions made by Irish companies at a rate of 25% (2021: 25%) with many exemptions provided.

The subsidiary of the Group operating in Japan was subject to an effective corporate income tax rate of 29.74% (2021: 29.74%).

The subsidiary of the Group operating in the Netherlands was subject to the two-tiered tax rates. The first EUR245,000 (2021: EUR245,000) of taxable amount was taxed at 15% (2021: 15%) and the remaining taxable amount was taxed at 25% (2021: 25%).

The subsidiary of the Group operating in Singapore was subject to income tax at the rate of 5% (2021: 5%) on the estimated assessable profits arising from qualifying activities in Singapore during the year. Any non-qualifying income is subject to income tax at a rate of 17% (2021: 17%).

The subsidiary of the Group operating in Belgium subject to income tax at the rate of 25% on its taxable trading income. Dividend withholding tax is imposed on distributions made by Belgium subsidiary at a rate of 30% with many exemptions provided.

The provision for current income tax in Mainland China is based on the statutory rate of 25% (2021: 25%) of the assessable profits of PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in Mainland China which enjoy tax concession and are taxed at preferential tax rates.

10. INCOME TAX (Continued)

Jinan Bestzyme and Jiangsu Jinsirui are qualified as High and New Technology Enterprise, which are subject to income tax at a preferential tax rate of 15% (2021: 15%) during the reporting period.

	2022 US$'000	2021 (Restated) US$'000
Current — Mainland China	**3,618**	4,890
Current — USA	**416**	237
Current — Others	**1,744**	910
Deferred (Note 34)	**(9,497)**	(5,073)
Total tax (credit)/charge for the year	**(3,719)**	964

A reconciliation of the tax expense/(credit) applicable to loss before tax at the statutory rates for the countries (or jurisdictions) in which the Company and the majority of its subsidiaries are domiciled to the tax expense/(credit) at the effective tax rates is as follows:

	2022 US$'000	2021 (Restated) US$'000
Loss before tax	**(431,690)**	(517,363)
Tax at the statuary rate of 25%	**(107,922)**	(129,341)
Effect of tax rate differences in other countries and regions	**(998)**	31,542
Net operating loss carried back	**—**	(319)
Tax losses utilised from previous years	**(6,982)**	—
Preferential income tax rates applicable to subsidiaries	**(403)**	(288)
Effect on deferred tax of increase in rates	**(1,335)**	—
Additional deductible allowance for research and development expenses	**(32,648)**	(7,155)
Effect of non-deductible expenses	**9,940**	8,960
Tax losses and deductible temporary differences not recognised	**135,430**	111,562
Adjustments in respect of current tax of previous periods	**(215)**	251
Option income tax expense/(benefit)	**736**	(15,701)
Others	**678**	1,453
Total tax (credit)/charge for the year	**(3,719)**	964

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11. DIVIDENDS

At the date of approval of these financial statements, the board of directors resolved not to declare any dividend for the year ended 31 December 2022 (2021: Nil).

12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,097,134,700 (2021: 2,030,597,579) in issue and fully paid during the year, as adjusted to reflect the rights issue during the year.

The calculation of the diluted loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The calculations of basic and diluted loss per share are based on:

	2022 US$'000	2021 (Restated) US$'000
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculation	(226,851)	(358,712)

	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year	2,104,127,410	2,039,208,697
Effect of shares repurchased	(6,992,710)	(8,611,118)
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	2,097,134,700	2,030,597,579

The diluted loss per share is the same as the basic loss per share because the effect of share options, restricted share units, warrants and convertible redeemable preferred shares were anti-dilutive for the years ended 31 December 2022 and 2021.

13. PROPERTY, PLANT AND EQUIPMENT

	Land, buildings and leasehold improvements US$'000	Machinery and equipment US$'000	Transportation equipment US$'000	Computer and office equipment US$'000	Construction In progress US$'000	Total US$'000
31 December 2022						
At 1 January 2022 (Restated)						
Cost	188,579	207,975	855	15,946	91,224	504,579
Accumulated depreciation	(25,577)	(70,751)	(456)	(11,128)	–	(107,912)
Net carrying amount	163,002	137,224	399	4,818	91,224	396,667
At 1 January 2022, net of accumulated depreciation (Restated)	163,002	137,224	399	4,818	91,224	396,667
Additions	12,557	998	–	394	184,500	198,449
Disposals	–	(821)	–	(283)	–	(1,104)
Depreciation provided during the year	(14,559)	(29,224)	(76)	(2,778)	–	(46,637)
Transfers	77,511	48,576	173	3,045	(129,305)	–
Exchange realignment	(11,524)	(9,609)	(28)	(289)	(4,358)	(25,808)
At 31 December 2022, net of accumulated depreciation	226,987	147,144	468	4,907	142,061	521,567
At 31 December 2022						
Cost	265,520	238,653	959	17,585	142,061	664,778
Accumulated depreciation	(38,533)	(91,509)	(491)	(12,678)	–	(143,211)
Net carrying amount	226,987	147,144	468	4,907	142,061	521,567

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land, buildings and leasehold improvements (Restated) US$'000	Machinery and equipment (Restated) US$'000	Transportation equipment (Restated) US$'000	Computer and office equipment (Restated) US$'000	Construction In progress (Restated) US$'000	Total (Restated) US$'000
31 December 2021						
At 1 January 2021						
Cost	153,090	157,367	700	14,420	57,224	382,801
Accumulated depreciation	(18,519)	(49,625)	(416)	(9,775)	—	(78,335)
Net carrying amount	134,571	107,742	284	4,645	57,224	304,466
At 1 January 2021, net of accumulated depreciation	134,571	107,742	284	4,645	57,224	304,466
Additions	1,659	4,975	48	176	120,153	127,011
Disposals	(936)	(1,134)	(2)	(111)	(860)	(3,043)
Depreciation provided during the year	(9,218)	(24,100)	(51)	(2,277)	—	(35,646)
Transfers	35,952	48,380	98	1,842	(86,272)	—
Exchange realignment	974	1,361	22	543	979	3,879
At 31 December 2021, net of accumulated depreciation	163,002	137,224	399	4,818	91,224	396,667
At 31 December 2021						
Cost	188,579	207,975	855	15,946	91,224	504,579
Accumulated depreciation	(25,577)	(70,751)	(456)	(11,128)	—	(107,912)
Net carrying amount	163,002	137,224	399	4,818	91,224	396,667

As at 31 December 2022, property with a net book value of US$2,168,000 (2021: US$3,683,000) were pledged for interest-bearing bank loan as set out in Note 29 to the financial statements.

As at 31 December 2022, properties amounted to approximately US$34,869,000 (2021: Nil) were pledged to the Series B Preferred Shareholder of Probio Cayman to secure the redemption right held by such preferred shareholder. More details are given in Note 33 to the financial statements.

14. INVESTMENT PROPERTIES

	2022 US$'000	2021 US$'000
Carrying amount at 1 January	**6,882**	7,726
Depreciation provided during the year	**(90)**	(114)
Exchange realignment	**41**	(730)
Carrying amount at 31 December	**6,833**	6,882

As at 31 December 2022, the Group's investment properties are located in Japan with estimated useful lives of 22 years and a carrying amount of US$6,833,000 (2021: US$6,882,000) were pledged as collateral for the Group's interest-bearing loans and borrowings as set out in Note 29 to the financial statements.

The investment properties are leased to third parties under operating leases, further details of which are included in Note 15 to the financial statements.

As at 31 December 2022, the Group's investment properties were valued at US$9,096,000 (2021: US$11,299,000) based on valuation performed by an independent professionally qualified valuer.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) US$'000	Significant Observable Inputs (Level 2) US$'000	Significant Unobservable Inputs (Level 3) US$'000	Total US$'000
Recurring fair value measurement for:				
Investment properties	–	–	9,096	9,096

14. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy (Continued)

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) US$'000	Significant Observable Inputs (Level 2) US$'000	Significant Unobservable Inputs (Level 3) US$'000	Total US$'000
Recurring fair value measurement for:				
Investment properties	—	—	11,299	11,299

During the year ended 31 December 2022, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for investment properties (2021: Nil).

Below is a summary of significant unobservable inputs to the valuation of investment properties together with a quantitative sensitivity analysis as at 31 December 2022 and 2021:

Valuation technique	Significant unobservable input	Range or weighted average 2022	2021
Discounted cash flow method	Estimated rental value (per tsubo and per month)	**US$122 to US$168**	US$202 to US$229
	Standard vacancy rate	**3%–4%**	3%–4%
	Discount rate	**3.6%**	3.7%

Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

15. LEASES

The Group as a lessee

The Group has lease contracts for buildings and office promises. Leases of buildings and office premises generally have lease terms between 2 and 10 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land US$'000	Buildings and office premises (note) US$'000	Total US$'000
As at 1 January 2021 (Restated)	24,598	40,952	65,550
Additions (Restated)	36	31,723	31,759
Depreciation (Restated)	(540)	(7,605)	(8,145)
Disposal (Restated)	—	(346)	(346)
Exchange realignment (Restated)	1,012	414	1,426
As at 31 December 2021 and 1 January 2022 (Restated)	**25,106**	**65,138**	**90,244**
Additions	**5,066**	**29,041**	**34,107**
Depreciation	**(536)**	**(11,568)**	**(12,104)**
Disposal	**(4,696)**	**(1,743)**	**(6,439)**
Exchange realignment	**(2,293)**	**(410)**	**(2,703)**
As at 31 December 2022	**22,647**	**80,458**	**103,105**

Note: The amounts also include the Collaboration Assets leased by the Group under the Janssen Agreement.

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15. LEASES (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2022 US$'000	2021 US$'000
Carrying amount at 1 January	**34,859**	9,101
New leases	**29,283**	29,456
Accretion of interest recognised during the year	**1,632**	797
Payments	**(8,557)**	(4,516)
Disposal	**(1,338)**	(164)
Exchange realignment	**(767)**	185
Carrying amount at 31 December	**55,112**	34,859
Analysed into:		
Current portion	**11,104**	7,510
Non-current portion	**44,008**	27,349
	55,112	34,859

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2022 US$'000	2021 (Restated) US$'000
Interest on lease liabilities	**1,632**	797
Depreciation charge of right-of-use assets	**12,104**	8,145
Expense relating to short-term leases and leases of low-value assets	**3,358**	955
Total amount recognised in profit or loss	**17,094**	9,897

15. LEASES (Continued)

The Group as a lessor

The Group leases its investment property in Japan (Note 14), car parking space in Ireland, and several equipment in Mainland China under operating lease arrangements. Rental income recognised by the Group during the year was US$419,000 (2021: US$461,000), details of which are included in Note 5 to the financial statements.

At 31 December 2022, the undiscounted minimum lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2022 US$'000	2021 US$'000
Within one year	**809**	279

16. GOODWILL

	2022 US$'000	2021 US$'000
Cost and net carrying amount at 1 January	**14,151**	14,116
Impairment during year	**(11,477)**	—
Exchange realignment	**(127)**	35
Net carrying amount at 31 December	**2,547**	14,151
Cost	**14,024**	14,151
Accumulated impairment	**(11,477)**	—
Net carrying amount at 31 December	**2,547**	14,151

Besides that, the Group performed the following goodwill impairment testing as at 31 December 2022 and 2021, under which goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

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16. GOODWILL (Continued)

Impairment testing of goodwill

(a) CustomArray, Inc. (the "CA")

	2022 US$'000	2021 US$'000
Carrying amount of goodwill, net of impairment	**1,168**	12,644

The recoverable amount of the CA cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The discount rate applied to the cash flow projections is 23% (2021: 23%). The growth rate used to extrapolate the cash flows of the life-science services and products unit beyond the five-year period is 0% (2021: 0%), which is the same as the long-term growth rate of the industry.

During the year ended 31 December 2022, the Group recognised an impairment loss of US$11,477,000 in relation to the goodwill of the CA (2021: Nil), mainly derived from the changes of market condition and the Group's pricing strategy for certain products.

At 31 December 2022, in the opinion of the Company's directors, an increase/decrease in the discount rate by 1% would cause the recoverable amount of the cash-generating unit to decrease/increase by US$526,000 and US$578,000, respectively.

(b) Jinan Bestzyme

	2022 US$'000	2021 US$'000
Carrying amount of goodwill	**1,379**	1,507

The recoverable amount of the industrial synthetic biology products cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 15% (2021: 16%). The growth rate used to extrapolate the cash flows of the industrial products unit beyond the five-year period is 2.3% (2021: 2.3%), which is the same as the long-term growth rate of the industry.

At 31 December 2022 and 2021, based on the result of the goodwill impairment testing, the recoverable amount of the cash-generating unit exceeded its carrying amount. Thus, in the opinion of the Company's directors, no impairment was provided as at 31 December 2022 and 2021, and the directors of the Company believe that any reasonably possible change in any of the key assumptions would not cause the carrying amount to be less than its recoverable amount considering that there was sufficient headroom based on the impairment testing.

16. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

Assumptions were used in the value in use calculation of the CA unit and Jinan Bestzyme unit for 31 December 2022 and 31 December 2021. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rates — The discount rates used are before tax and reflect specific risks relating to the relevant units.

17. OTHER INTANGIBLE ASSETS

	Software US$'000	Patents and licenses US$'000	Customer relationship US$'000	Total US$'000
31 December 2022				
Cost at 1 January 2022, net of accumulated amortization	5,530	20,806	87	26,423
Additions	2,347	1,216	—	3,563
Amortisation provided during the year	(3,065)	(2,337)	(15)	(5,417)
Disposal	(6)	—	—	(6)
Exchange realignment	(645)	(104)	(3)	(752)
At 31 December 2022	4,161	19,581	69	23,811
At 31 December 2022:				
Cost	10,676	29,803	158	40,637
Accumulated amortisation	(6,515)	(10,222)	(89)	(16,826)
Net carrying amount	4,161	19,581	69	23,811

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17. OTHER INTANGIBLE ASSETS (Continued)

	Software US$'000	Patents and licenses US$'000	Customer relationship US$'000	Total US$'000
31 December 2021				
Cost at 1 January 2021, net of accumulated amortisation	1,392	24,541	87	26,020
Additions	3,708	624	—	4,332
Amortisation provided during the year	(1,915)	(1,959)	—	(3,874)
Reclassification	2,363	(2,363)	—	—
Exchange realignment	(18)	(37)	—	(55)
At 31 December 2021	5,530	20,806	87	26,423
At 31 December 2021:				
Cost	9,257	29,536	158	38,951
Accumulated amortisation	(3,727)	(8,730)	(71)	(12,528)
Net carrying amount	5,530	20,806	87	26,423

During the year ended 31 December 2022, no impairment loss was provided for the Group's other intangible assets (2021: Nil).

18. INVESTMENTS IN ASSOCIATES AND LOANS TO ASSOCIATES

	2022 US$'000	2021 US$'000
Share of net assets	**4,372**	3,433
Impairment losses during the year	**—**	(169)
Exchange alignment	**—**	54
Net carrying amount	**4,372**	3,318
Loans to associates		
Net carrying amount	**37**	1,680

The loans to associates were interest-bearing and repayable on demand. As at 31 December 2022, in the opinion of the Company's directors, the management Group provided reversal of impairment of US$138,000 (2021: provision for impairment of US$461,000) on the loans to associates.

The Group's trade receivables with associates are disclosed in Note 42 to the financial statements.

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2022 US$'000	2021 US$'000
Share of the associates' loss for the year	**(27)**	—
Share of the associates' total comprehensive loss	**(27)**	—
Aggregate carrying amount of the Group's investments in the associates	**4,372**	3,318

As at 31 December 2022, no impairment was provided on the investments in associates (2021: US$169,000) as the recoverable amount of these investments is higher than its carrying amount assessed by the Company's directors by reviewing the financial performance of each associate.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 US$'000	2021 US$'000
Investments in financial products (current) (note i)	**210,819**	2,208
Unlisted equity investments (non-current) (note ii)	**11,657**	10,444
	222,476	12,652

Notes:

(i) The balance represents the investments in wealth management products issued by reputable commercial banks in Mainland China and US, which were classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

(ii) The balance mainly represents the Group's investments in certain limited partnerships. These investments are not regarded as associates of the Group because the Group has no right to participate in the relevant activities of these limited partnerships.

20. INVENTORIES

	2022 US$'000	2021 US$'000
Raw materials	**38,672**	24,600
Work in progress	**4,395**	2,917
Finished goods	**19,843**	21,156
	62,910	48,673
Provision for inventories	**(2,975)**	(4,315)
	59,935	44,358

As at 31 December 2022, the collaboration inventories with a carrying amount of US$10,354,000 (2021: US$1,479,000) were relating to the collaboration cost with a collaborator.

21. CONTRACT COSTS

	2022 US$'000	2021 US$'000
Costs to fulfil contracts	**16,490**	8,877

22. TRADE AND NOTES RECEIVABLES

	2022 US$'000	2021 US$'000
Trade receivables	**100,293**	138,348
Notes receivable	**7,157**	7,169
	107,450	145,517
Impairment of trade receivables	**(3,361)**	(3,172)
	104,089	142,345

The Group's trading terms with its customers are mainly on credit and the credit period granted by the Group is 30 to 90 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by management. The Group's trade receivables are related to a large number of diversified customers except for one major customer, there is no significant concentration of credit risk. The Group's trade receivables are non-interest-bearing.

Amounts due from the Group's associates of US$102,000 (2021: US$147,000) are included in the Group's trade receivables, which are repayable on credit terms similar to those offered to the major customers of the Group.

An ageing analysis of the gross carrying amount of trade receivables as at the end of the year, based on the invoice date, is as follows:

	2022 US$'000	2021 US$'000
Within 3 months	**80,595**	127,791
3 to 6 months	**10,397**	4,068
6 to 12 months	**6,179**	4,166
Over 1 year	**3,122**	2,323
	100,293	138,348

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22. TRADE AND NOTES RECEIVABLES (Continued)

Movements in the loss allowance for impairment of trade receivables were as follows:

	Total US$'000
At 1 January 2022	**3,172**
Impairment losses recognised	**1,365**
Impairment losses reversed	**(75)**
Amount written off as uncollectible	**(1,101)**
At 31 December 2022	**3,361**
At 1 January 2021	3,204
Impairment losses recognised	1,211
Impairment losses reversed	(283)
Amount written off as uncollectible	(960)
At 31 December 2021	3,172

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns by product and service type and rating. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

22. TRADE AND NOTES RECEIVABLES (Continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

	As at 31 December 2022		
	Gross carrying amount US$'000	**Expected loss rate**	**Expected credit loss US$'000**
Trade receivables aged:			
Less than 1 year	**97,171**	**1.48%**	**1,435**
Within 1 to 2 years	**2,411**	**53.26%**	**1,284**
Within 2 to 3 years	**472**	**85.38%**	**403**
Over 3 years	**239**	**100.00%**	**239**
	100,293		**3,361**

	As at 31 December 2021		
	Gross carrying amount US$'000	Expected loss rate	Expected credit loss US$'000
Trade receivables aged:			
Less than 1 year	136,026	1.15%	1,569
Within 1 to 2 years	1,335	47.42%	633
Within 2 to 3 years	449	96.21%	432
Over 3 years	538	100.00%	538
	138,348		3,172

The Group applies a simplified approach in calculating ECLs for trade receivables prescribed by HKFRS 9, which permits the use of the lifetime expected loss for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses have also incorporated forward-looking information.

The Group applies a general approach in calculating ECLs for notes receivable. All of the notes receivable are not past due and the Group classified such instruments as Stage 1 and measured ECLs on a 12-month basis. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. For bank acceptance notes, as the relevant financial institutions have a high credit rating, the loss rate is expected to be minimal. For commercial acceptance notes, which were not yet past due, the loss rate is expected to be minimal as well.

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23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022 US$'000	2021 (Restated) US$'000
Current		
Prepayments	23,193	5,758
Value-added tax recoverable	19,565	11,822
Prepaid expense	2,132	5,478
Tax refund	1,704	7,096
Prepaid income tax	842	857
Deposits	383	2,508
Lease receivables	188	94
Other receivables	45,894	3,577
	93,901	37,190
Impairment of other receivables	(34)	(38)
	93,867	37,152
Non-current		
Collaboration prepaid leases	65,276	12,121
Deposits	3,482	1,103
Prepaid expense	1,092	1,068
Lease receivables	395	—
Value-added input tax recoverable	—	4,080
	70,245	18,372

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (Continued)

Movements in the provision for impairment of other receivables were as follows:

	Individually impaired US$'000
At 1 January 2022	**38**
Exchange realignment	**(4)**
At 31 December 2022	**34**
At 1 January 2021	34
Exchange realignment	4
Impairment losses recognised	47
Amount written off as uncollectible	(47)
At 31 December 2021	38

The Group applies a general approach in calculating ECLs for other receivables. Other receivables related to debtors that are in default are classified as Stage 1 without any significant increase in credit risk tracked since initial recognition. The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts.

24. FINANCIAL ASSETS MEASURED AT AMORTISED COST

	2022 US$'000	2021 US$'000
Financial assets measured at amortised cost	–	29,937

Financial assets measured at amortised cost were related to commercial paper issued by a financial institution with a principal amount of US$30,000,000, discounted bid yield of 0.5% per annum and one-year maturity date at 1 June 2022.

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25. RESTRICTED CASH

		2022 US$'000	2021 US$'000
Pledged for bills payable	i)	**20,882**	—
Pledged for the letter of guarantee		**4,615**	988
Pledged for credit cards' facilities		**1,706**	456
		27,203	1,444

i) The restricted cash as at 31 December 2022 was pledged for issuing the bank acceptance bills within the Group for the settlement of intra-group transactions.

26. CASH AND CASH EQUIVALENTS AND TIME DEPOSITS

	2022 US$'000	2021 US$'000
Cash and bank balances	**941,937**	966,662
Time deposits	**310,573**	404,397
	1,252,510	1,371,059
Less:		
Non-pledged time deposits with original maturity of more than three months when acquired	**(228,511)**	(190,088)
Cash and cash equivalents	**1,023,999**	1,180,971
Denominated in US$	**832,056**	1,016,987
Denominated in RMB	**139,228**	155,953
Denominated in EUR	**39,666**	2,987
Denominated in HK$	**6,640**	2,309
Denominated in GBP	**2,383**	1,262
Denominated in KRW	**2,808**	740
Denominated in other currencies	**1,218**	733
Cash and cash equivalents	**1,023,999**	1,180,971

26. CASH AND CASH EQUIVALENTS AND TIME DEPOSITS (Continued)

At 31 December 2022, the cash and bank balances of the Group denominated in Renminbi ("**RMB**") amounted to US$139,228,000 (2021: US$155,953,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

27. TRADE AND BILLS PAYABLES

	2022 US$'000	2021 US$'000
Trade payables	**54,310**	28,693
Bills payable	**1,445**	1,483
	55,755	30,176

An ageing analysis of the trade payables as at the end of the year, based on the invoice date, is as follows:

	2022 US$'000	2021 US$'000
Within 3 months	**50,260**	23,910
3 to 6 months	**2,431**	3,059
6 to 12 months	**854**	1,166
Over 1 year	**765**	558
	54,310	28,693

Amounts due to associates included in the trade and bills payables are Nil as at 31 December 2022 (2021: US$36,000) which are repayable within 30 to 90 days and the credit terms are similar to those offered by the associates to their major customers.

The trade payables are non-interest-bearing and are normally settled on turnover of 30 to 90 days.

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28. OTHER PAYABLES AND ACCRUALS

	2022 US$'000	2021 (Restated) US$'000
Accrued expenses	**140,336**	91,480
Accrued payroll and welfare	**63,871**	55,022
Payables for purchases of property, plant and equipment	**53,117**	44,134
Payable for Collaboration Assets	**22,852**	5,605
Other tax payables	**5,822**	9,610
Other payables	**14,711**	7,712
	300,709	213,563

29. INTEREST-BEARING LOANS AND BORROWINGS

	Note	2022			2021		
		Effective interest rate (%)	**Maturity**	**US$'000**	Effective interest rate (%)	Maturity	US$'000
Current							
Bank loans — secured	(a)	**1.3–2.6**	**2023**	**33,230**	—	—	—
Current portion of long-term bank loans — secured	(b)	**0.33**	**2023**	**451**	0.32	2022	521
				33,681			521
Non-current							
Other borrowings — unsecured	(c)	**7.98**	**No specific**	**260,932**	3.03	No specific	120,462
Non-current portion of long-term bank loans — secured	(b)	**0.33**	**2024**	**74**	0.32	2023–2024	608
				261,006			121,070

29. INTEREST-BEARING LOANS AND BORROWINGS (Continued)

	2022 US$'000	2021 US$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	33,681	521
In the second year	74	521
In the third to fifth years, inclusive	—	87
Other borrowings repayable:		
No agreed repayment period	260,932	120,462
	294,687	121,591

As at 31 December 2022, the Group's total bank facilities amounted to US$161,536,000 (2021: US$148,084,000), of which US$14,603,000 (2021: US$2,607,000) had been utilised by the Group.

(a) Bank loans amounting to US$20,882,000 were derived from discounting bank acceptance bills issued within the Group, which were secured by deposits with a carrying value of US$20,882,000 (2021: Nil).

(b) Certain of the Group's bank loans were secured by the land and buildings and investment properties with a book value of approximately US$9,001,000 (2021: US$10,565,000). The effective interest rate bank loan was based on the TIBOR+0.25% (2021: TIBOR+0.25%), and the average effective interest rate for the year end 31 December 2022 was calculated as 0.33% (2021: 0.32%).

(c) Pursuant to the Janssen Agreement, Legend is entitled to receive funding advances from the collaborator when certain operational conditions are met. As a result, Legend took an initial funding advance with principal amounting to US$17,300,000 on 18 June 2021, a second funding advance with principal amounting to US$53,100,000 on 17 September 2021, a third funding advance with principal amounting to US$49,300,000 on 17 December 2021, a forth funding advance with principal amounting to US$5,300,000 on 18 March 2022, a fifth funding advance with principal amounting to US$60,900,000 on 17 June 2022, a sixth funding advance with principal amounting to US$60,500,000 on 16 September 2022, and a seventh funding advance with principal amounting to US$3,600,000 on 16 December 2022, by reducing the same amount of other payables due to the collaborator, respectively (collectively, the "**Funding Advances**").

These Funding Advances are accounted for as interest-bearing borrowings funded by the collaborator, constituted by a principal amounting to US$250,000,000 and applicable interests accrued amounting to US$10,900,000 upon such principal. The respective interest rate of each borrowing is based on the average annual London Interbank Offered Rate (LIBOR) for U.S. Dollars as reported in the Wall Street Journal on the due date of the quarterly invoice or the next business date should the due date fall on a weekend or holiday, plus 250 basis points, calculated on the number of days from the date on which Legend applied such borrowings. For each of the seven batches of funding advances, interest started to accrue from 18 June 2021, 17 September 2021, 17 December 2021, 18 March 2022, 17 June 2022, 16 September 2022, and 16 December 2022, respectively.

Pursuant to the terms of the Janssen Agreement, the collaborator may recoup the aggregate amount of Funding Advances together with interest thereon from Legend's share of pre-tax profits from the first profitable year of the collaboration program. The management estimated the loan will not be recouped by the collaborator within one year, nor does Legend expect to repay the funding advances within one year, and thus the loan was classified as a long-term liability.

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30. CONTRACT LIABILITIES

	2022 US$'000	2021 (Restated) US$'000
Non-current		
License and collaboration revenue	**2,010**	2,234
Current		
Rendering of services and sales of products	**41,675**	34,733
	43,685	36,967

Contract liabilities include advances received at the end of each year. Contract liabilities are recognised as revenue upon the Group satisfying its performance obligations under the agreement.

31. GOVERNMENT GRANTS

	2022 US$'000	2021 US$'000
At 1 January	**14,041**	11,874
Additions	**7,050**	2,505
Amount released	**(1,083)**	(609)
Exchange realignment	**(1,189)**	271
At 31 December	**18,819**	14,041
Current	**2,652**	740
Non-current	**16,167**	13,301
	18,819	14,041

The grants were related to the subsidies received from local government authorities for the purpose of compensation for the expenditure on certain facilities and were credited to a deferred income account. The grants were released to profit or loss over the expected useful lives of the relevant assets.

The Group also received certain financial subsidies from local government authorities to support local business. There were no unfulfilled conditions or other contingencies attached to these government grants. These government grants of US$7,985,000 (2021: US$8,539,000) were recognised in profit or loss upon receipt.

32. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Note	2022 US$'000	2021 US$'000
Current			
Legend Warrant	(a)	**67,000**	87,900
Probio Warrant	(b)	**15,899**	22,438
Foreign currency forward contracts		**1,350**	—
		84,249	110,338
Non-current			
Probio Series A Preferred Shares	(c)	**269,460**	260,790
		269,460	260,790
		353,709	371,128

(a) Legend Warrant

On 13 May 2021, Legend entered into a subscription agreement with an institutional investor relating to the offer and sale of 20,809,850 ordinary shares of Legend, par value US$0.0001 per share, in a private placement at a purchase price of US$14.41625 per ordinary share of Legend (the "**PIPE Offering**"). The total proceeds from the PIPE Offering is US$300,000,000. Pursuant to the subscription agreement, Legend also agreed to issue and sell concurrently with the PIPE offering a warrant (the "**Legend Warrant**") exercisable for up to an aggregate of 10,000,000 ordinary shares of Legend (such transaction together with the PIPE Offering, the "**Legend Transactions**"). The Legend Transactions were completed on 21 May 2021 (the "**Closing Date**").

The Legend Warrant will be exercisable, in whole or in part, at an exercise price of US$20.00 per ordinary share of Legend, at any time prior to the two-year anniversary of the Closing Date. The Legend Warrant is accounted for as a financial liability because the Legend Warrant may be net share settleable at the holder's option. The initial fair value of the Legend Warrant was assessed at US$81,700,000 and was recognised upon closing of the transaction. As of 31 December 2022, the fair value of Legend Warrant was assessed at US$67,000,000 (2021: US$87,900,000), and a fair value gain of US$20,900,000 was recorded for year ended 31 December 2022 (2021: fair value loss of US$6,200,000).

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32. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

(b) Probio Warrant

On 18 August 2021, Probio Cayman entered into an agreement with an institutional investor relating to the offer and sale of 300,000,000 series A convertible redeemable preferred shares of Probio Cayman ("**Probio Series A Preferred Shares**"), par value US$0.00002 per share, at a purchase price of US$0.50 per preferred share for an aggregate purchase consideration of US$150,000,000. Pursuant to the agreement, the Probio Cayman also agreed to issue a warrant (the "**Probio Warrant**") exercisable for up to an aggregate of 189,393,939 ordinary shares of Probio Cayman (the Probio Series A Preferred Shares and Probio Warrant are collectively referred as "**Probio Series A Financing**"). The Probio Series A Financing was completed on 3 September 2021.

The Probio Warrant will be exercisable, in whole or in part, at an initial exercise price of US$0.66 per ordinary share of Probio Cayman and is exercisable at any time prior to the two-year anniversary of the completion of the Probio Series A Financing. The Probio Warrant was recognised at a financial liability measured at fair value with changes through profit or loss and initial fair value of the Probio Warrant is assessed at US$851,000. As at 31 December 2022, the fair value of the Probio Warrant is assessed at US$15,899,000 (2021: US$22,438,000), and a fair value gain of US$6,539,000 was recorded during the year ended 31 December 2022 (2021: fair value loss of US$21,587,000).

(c) Probio Series A Preferred Shares

During the year ended 31 December 2021, Probio Cayman issued a total of 300,000,000 Series A Preferred Shares in its Series A Financing. The key terms of the Probio Series A Preferred Shares are summarised as follows:

1) Dividends right

No dividends or other distributions shall be made or declared, whether in cash, in property, or in any shares of Probio Cayman, with respect to any class or series of shares of Probio Cayman, unless at the same time an equivalent dividend is declared or paid on all outstanding Probio Series A Preferred Shares on an as-if-converted basis.

2) Conversion right

Probio Series A Preferred Shares shall be convertible, at the option of the holder thereof, at any time after the date of issuance of Probio Series A Preferred Shares and after Probio Series A Preferred Shares has been fully paid, into such number of fully paid ordinary shares as determined by dividing the issue price by the Conversion Price (as defined below), determined as hereinafter provided, in effect at the time of the conversion. The price at which the ordinary shares shall be issuable upon conversion of Probio Series A Preferred Shares (the "**Conversion Price**") shall initially be the subscription price or deemed subscription price per Probio Series A Preferred Shares. Such initial Conversion Price shall be subject to adjustments for certain further events, including but not limited to dilutive issuances, share splits, share combinations and etc.

Probio Series A Preferred Shares shall automatically be converted into the ordinary shares of Probio Cayman at the then respective effective Conversion Price upon the consummation of an IPO of Probio Cayman.

32. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

(c) Probio Series A Preferred Shares (Continued)

3) Redemption feature

Each holder of Probio Series A Preferred Shares shall be entitled to request Probio Cayman and the Company, jointly and severally, to redeem all or any part of such holder's Series A Preferred Shares at a price per share (the "**Redemption Price**") at earliest occurrence of any of the redemption events agreed in the documents of Series A Financing. The Redemption Price equals to the aggregate amount of:

(i) 100% of the Series A Original Purchase Price (US$0.50 per Probio Series A Preferred Share, the "**Series A Original Purchase Price**"), which shall be subject to adjustments for certain dilutive issuances, splits and combinations;

(ii) interest accrued based on the Series A Original Purchase Price and calculated at an agreed rate in the documents of the Series A Financing, from the date of issuance thereof through and including the redemption date; and

(iii) any declared but unpaid dividends thereto as of the date of redemption.

4) Liquidation Preference

The Series A Preferred Shares shall carry a preferential entitlement to distributions on a winding up of Probio Cayman. Upon any liquidation, dissolution or winding up or other liquidation events of Probio Cayman, before any distribution or payment shall be made to the holders of any Probio Shares, the holders of Series A Preferred Shares shall be entitled to, an amount per Series A Preferred Share equal to the sum of:

(i) the Series A Issue Price;

(ii) interest thereon at an agreed rate per annum, and

(iii) all declared and unpaid dividends on each Series A Preferred Share.

32. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Presentation and classification

The Group does not bifurcate the embedded conversion derivatives from the host debt liability arising from the redemption right held by the shareholders of the Probio Series A Preferred Shares and has designated the entire instruments of Series A Preferred Shares as financial liabilities at FVTPL. The change in fair value of financial liabilities at FVTPL is charged to profit or loss except for the portion attributable to own credit risk change that shall be charged to other comprehensive income.

The initial fair value of the Probio Series A Preferred Shares is US$149,149,000. As at 31 December 2022, the fair value was assessed at US$269,460,000 (2021: US$260,790,000) and a fair value loss of US$8,670,000 was recorded during the year ended 31 December 2022 (2021: US$111,641,000).

The movements of the above preferred shares and warrants are set out below:

	US$'000
At 1 January 2022	**371,128**
Fair value changes	**(18,769)**
At 31 December 2022	**352,359**
At 1 January 2021	—
Issuance	231,700
Fair value changes	139,428
At 31 December 2021	371,128

During the year ended 31 December 2022 and 2021, management considered that there was no significant change of the credit risk of the Group or corresponding subsidiaries that drives the change of the fair value of each financial liability.

33. FINANCIAL LIABILITIES AT MEASURED AT AMORTIZED COST

Probio Series B Preferred Shares

On 2 July 2022, ProBio Cayman entered into an agreement with an institutional investor relating to the offer and sale of 57,314,000 series B convertible redeemable preferred shares of Probio Cayman ("**Probio Series B Preferred Shares**"), par value US$0.00002 per share, at a purchase price of US$0.65 per preferred share for an aggregate consideration of US$37,254,100 ("**Probio Series B Financing**"). The Probio Series B Financing was completed on 6 July 2022.

The key terms of the Probio Series B Preferred Shares are summarised as follows:

1) Conversion right

Probio Series B Preferred Shares shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such preferred shares into such number of fully paid and non-assessable ordinary share. The conversion ratio for each Series B Preferred Share shall be determined by dividing the Series B issue price by the then Series B Conversion Price (as defined below), in effect at the time of the conversion. The initial Series B Conversion Price shall be the Series B issue price. Such initial Series B Conversion Price shall be subject to adjustments for share dividend, share split or otherwise.

Probio Series B Preferred Shares shall automatically be converted into the ordinary shares of Probio Cayman at the then respective effective Conversion Price upon the consummation of an IPO of Probio Cayman.

2) Redemption feature

Each holder of Probio Series B Preferred Shares shall be entitled to request Probio Cayman and the Company, jointly and severally, to redeem all or any part of such holder's Series B Preferred Shares at a price per share (the "**Redemption Price**") at earliest occurrence of any of the redemption events agreed in the documents of Series B Financing. The Redemption Price equals to the aggregate amount of:

(i) 100% of the Series B Original Purchase Price (US$0.65 per Probio Series B Preferred Share, the "**Series B Original Purchase Price**"), which shall be subject to adjustments for certain dilutive issuances, splits and combinations;

(ii) interest accrued based on the Series B Original Purchase Price and calculated at an agreed rate in the documents of the Series B Financing, from the date of issuance thereof through and including the redemption date; and

(iii) any declared but unpaid dividends thereto as of the date of redemption.

Presentation and classification

The Probio Series B Preferred Shares contain only liability and equity components, of which the initial fair value of the liability component was determined at US$35,657,000 which was subsequently measured at amortised cost using effective interest method, and the remainder of the proceeds from the Series B Financing amounted to US$1,597,100 was allocated to the conversion option and recognized in the Group's equity.

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33. FINANCIAL LIABILITIES AT MEASURED AT AMORTIZED COST (Continued)

Presentation and classification (Continued)

The movements of liability component for Probio Series B Preferred Shares are set out below:

	US$'000
At 1 January 2022	—
Issuance	**35,657**
Interest expenses accrued during the year	**1,104**
At 31 December 2022	**36,761**

34. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation US$'000	Fair value adjustments arising from acquisition of a subsidiary US$'000	Collaboration revenue US$'000	Right-of-use assets US$'000	Unrealised fair value of financial assets at fair value through profit or loss US$'000	Total US$'000
At 1 January 2022 (Restated)	**29,031**	**2,852**	**14,125**	—	—	**46,008**
Deferred tax charged/(credited) to profit or loss during the year	**1,065**	**(159)**	**(14,125)**	**114**	—	**(13,105)**
Exchange realignment	**(1,718)**	**(27)**	—	—	—	**(1,745)**
Gross deferred tax liabilities at 31 December 2022	**28,378**	**2,666**	—	**114**	—	**31,158**
At 1 January 2021 (Restated)	23,624	3,003	28,211	159	198	55,195
Deferred tax charged/(credited) to profit or loss during the year (Restated)	4,948	(159)	(14,086)	(159)	(198)	(9,654)
Exchange realignment (Restated)	459	8	—	—	—	467
Gross deferred tax liabilities at 31 December 2021 (Restated)	29,031	2,852	14,125	—	—	46,008

34. DEFERRED TAX (Continued)

Deferred tax assets

	Accrued Expenses US$'000	Difference in intangible assets amortization US$'000	Impairment of assets US$'000	Unrealised profit from intercompany transactions US$'000	Government Grants US$'000	Losses available for offsetting against future taxable profits US$'000	Unrealised fair value of financial assets at fair value through profit or loss US$'000	Lease liabilities US$'000	Cost recovery of R&D expense and R&D credit US$'000	Total US$'000
At 1 January 2022 (Restated)	**3,333**	**1,056**	**1,063**	**1,751**	**1,535**	**34,069**	**561**	**–**	**–**	**43,368**
Deferred tax credited/(charged) to profit or loss during the year	**6,090**	**194**	**370**	**1,492**	**32**	**(14,576)**	**(376)**	**120**	**3,046**	**(3,608)**
Exchange realignment	**(191)**	**–**	**(107)**	**–**	**(131)**	**(1,105)**	**(35)**	**–**	**–**	**(1,569)**
Gross deferred tax assets at 31 December 2022	**9,232**	**1,250**	**1,326**	**3,243**	**1,436**	**18,388**	**150**	**120**	**3,046**	**38,191**
At 1 January 2021 (Restated)	2,695	5,342	754	1,739	1,364	25,962	—	165	9,605	47,626
Deferred tax credited/(charged) to profit or loss during the year (Restated)	590	(4,286)	310	12	137	7,869	557	(165)	(9,605)	(4,581)
Exchange realignment (Restated)	48	—	(1)	—	34	238	4	—	—	323
Gross deferred tax assets at 31 December 2021 (Restated)	3,333	1,056	1,063	1,751	1,535	34,069	561	—	—	43,368

* Deferred tax is not recognised in respect of the Group's investments in associates where the Group is able to control the timing of remittance or other realisation and where remittance or realisation is not probable in the foreseeable future. The aggregate temporary differences relating to unrecognised deferred tax liabilities arising on investments in associates are insignificant.

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34. DEFERRED TAX (Continued)

For presentation purposes, deferred tax assets and liabilities amounted to US$23,146,000 (2021: US$38,278,000) have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2022 US$'000	2021 US$'000
Net deferred tax liabilities recognized in the consolidated statement of financial position	8,012	7,730
Net deferred tax assets recognized in the consolidated statement of financial position	15,045	5,090

Deferred tax assets have not been recognised in respect of the following item during the reporting year:

	2022 US$'000	2021 US$'000
Tax losses and deductible temporary differences	1,177,034	641,994

During the year ended 31 December 2022, the Group has tax losses arising in Hong Kong of US$3,694,000 (2021: US$212,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

During the year ended 31 December 2022, the Group has tax losses arising in Mainland China of US$97,207,000 (2021: US$96,532,000) that will expire in five years for offsetting against future taxable profits.

During the year ended 31 December 2022, the Group has tax losses arising in the United States of US$160,341,000 (2021: US$623,258,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

During the year ended 31 December 2022, the Group has tax losses arising in Ireland of US$118,600,000 (2021: US$82,906,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

34. DEFERRED TAX (Continued)

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2022, deferred tax has not been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such remaining earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised was US$185,839,000 at 31 December 2022 (2021: US$171,327,000).

35. SHARE CAPITAL AND SHARE PREMIUM

Shares

	31 December 2022 US$'000	31 December 2021 US$'000
Authorised:		
Ordinary shares of US$0.001 each	**5,000**	5,000
Issued and fully paid:		
Ordinary shares of US$0.001 each	**2,111**	2,096

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35. SHARE CAPITAL AND SHARE PREMIUM (Continued)

A summary of movements in the Group's share capital and share premium is as follows:

	Notes	Number of shares in issue	Share Capital US$'000	Treasury Shares US$'000	Share Premium US$'000	Total US$'000
At 1 January 2021 (Restated)		1,953,283,180	1,954	(16,712)	988,638	973,880
Acquisition of equity from non-controlling shareholders		—	—	—	(98)	(98)
Issuance of ordinary shares and warrant of the Company and Legend Cayman	(a)	102,981,853	103	—	264,042	264,145
Exercise of share options and restricted share units		39,421,175	39	959	21,689	22,687
At 31 December 2021 and 1 January 2022 (Restated)		**2,095,686,208**	**2,096**	**(15,753)**	**1,274,271**	**1,260,614**
Transactions with non-controlling shareholders		**—**	**—**	**—**	**(1,182)**	**(1,182)**
Issuance of ordinary shares of Legend Cayman	(b)	**—**	**—**	**—**	**182,464**	**182,464**
Exercise of share options and restricted share units		**15,539,427**	**15**	**3,831**	**17,474**	**21,320**
At 31 December 2022		**2,111,225,635**	**2,111**	**(11,922)**	**1,473,027**	**1,463,216**

(a) On 14 May 2021, the Company entered into a subscription agreement with a third-party investor, pursuant to which the investor has agreed to subscribe 102,981,853 new shares to be issued by the Company at HK$18.658 per share ("**Subscription Shares**"), representing approximately 5.00% of the issued share capital of the Company as enlarged by the Subscription Shares. As at 31 December 2022 and 2021, the Subscription Shares had been issued by the Company and the Company has received the subscription price of HK$1,921,400,000 (US$247,900,000, equivalently) in total.

On 17 December 2021, Legend Cayman issued a total of 17,231,150 ordinary shares at a price of US$20.00 per ordinary share in relation to a public follow-on offering ("**Legend Follow-on Offering**"), of which 4,500,000 ordinary shares were subscribed by the Company. The Legend Follow-on Offering was completed on 20 December 2021, and Legend received net proceeds of approximately US$233,440,000, net of issuance cost of US$21,200,000 and after deducting US$90,000,000 which was subscribed and paid by the Company.

(b) On 29 July 2022, Legend Cayman completed a follow-on public offering by issuing 18,722,000 ordinary shares at $21.50 per ordinary share. Legend received net proceeds of US$377,600,000, net of issuance costs of US$24,900,000.

36. SHARE OPTION SCHEME

a) The Company

The Company's Pre-IPO and Post-IPO share option scheme are generally vested over a 5-year term. The performance goals are determined by the board of directors. For those awards, evaluations are made as of each reporting period to assess the likelihood of performance criteria being met. Share-based compensation expenses are then adjusted to reflect the reversion of original estimates.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings. The only condition for vesting is service condition.

	2022 Weighted average exercise price US$ per share	**2022** Number of options '000	2021 Weighted average exercise price US$ per share	2021 Number of options '000
At 1 January	**0.7372**	**109,444**	0.6739	156,619
Granted during the year	**—**	**—**	3.4407	443
Forfeited during the year	**1.9191**	**(3,384)**	1.4225	(7,972)
Exercised during the year	**0.4820**	**(13,279)**	0.3692	(39,421)
Expired during the year	**2.0146**	**(134)**	2.4378	(225)
At 31 December	**0.7382**	**92,647**	0.7372	109,444
Exercisable at 31 December	**0.5903**	**77,200**	0.4565	76,319

The weighted average share price at the date of exercise for share options exercised during the year was HK$28.086 (2021: HK$32.414) per share.

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36. SHARE OPTION SCHEME (Continued)

a) The Company (Continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the year are as follows:

31 December 2022	Exercise period	Exercise price*
Number of options	US$	
'000	per share	
84	0.0515	2013/08/10~2025/07/31
38,150	0.0617	2014/12/31~2025/07/31
3,038	0.0772	2013/09/01~2025/07/31
117	0.1029	2018/02/01~2025/12/31
7,875	0.1552	2016/06/22~2026/06/21
3,531	0.3102	2017/09/23~2026/09/22
12,336	0.4514	2019/04/25~2027/04/24
6,463	1.0672	2018/07/25~2027/10/10
2,309	1.1969	2019/12/31~2027/11/19
2,790	1.7857	2021/04/29~2030/04/28
1,307	1.7948	2018/11/29~2028/11/28
2,511	2.3444	2020/07/19~2029/07/18
2,661	2.4444	2020/11/29~2029/11/28
7,101	3.3710	2019/01/01~2028/05/03
718	1.9355	2020/09/01~2025/08/31
1,310	1.5606	2021/11/21~2030/12/27
100	1.7857	2022/03/31~2031/03/30
246	3.9228	2022/05/31~2031/05/30
92,647		

36. SHARE OPTION SCHEME (Continued)

a) The Company (Continued)

31 December 2021 Number of options '000	Exercise price* US$ per share	Exercise period
144	0.0515	2013/08/10~2025/07/31
44,762	0.0617	2014/12/31~2025/07/31
3,091	0.0772	2013/09/01~2025/07/31
272	0.1029	2018/02/01~2025/12/31
7,903	0.1552	2016/06/22~2026/06/21
4,286	0.3102	2017/09/23~2026/09/22
15,872	0.4514	2019/04/25~2027/04/24
7,888	1.0672	2018/07/25~2027/10/10
3,233	1.1969	2019/12/31~2027/11/19
4,067	1.7857	2021/04/29~2030/04/28
1,337	1.7948	2018/11/29~2028/11/28
3,041	2.3444	2020/07/19~2029/07/18
3,140	2.4444	2020/11/29~2029/11/28
7,637	3.3710	2019/01/01~2028/05/03
718	1.9355	2020/09/01~2025/08/31
1,610	1.5606	2021/11/21~2030/12/27
100	1.7857	2022/03/31~ 2031/03/30
343	3.9228	2022/05/31~ 2031/05/30
109,444		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

No share options were granted during the year ended 31 December 2022 and the fair value of the share options granted during the year ended 31 December 2021 was US$725,000 (US$1.636 each). The Group recognised a share option expense of US$1,794,000 (2021: US$5,836,000) during the year ended 31 December 2022.

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36. SHARE OPTION SCHEME (Continued)

a) The Company (Continued)

The fair value of equity-settled share options granted during the year was estimated, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	31 December 2021
Dividend yield (%)	—
Expected volatility (%)	48.0–49.0
Risk-free interest rate (%)	1.20–1.46
Expected life of options (year)	10

At 31 December 2022, the Company had 92,647,000 share options outstanding under the share option scheme, which represented approximately 4.4% of the Company's shares in issue as at that date. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 92,647,000 additional ordinary shares of the Company, an additional share capital of approximately US$92,647 and a share premium of approximately US$68,299,000 (before issue expenses).

b) The Legend

Legend operates a share option scheme (the "**Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of Legend's operations. Eligible participants of the Scheme include Legend's directors, including independent non-executive directors, and employees of any member of Legend. The Scheme became effective on 21 December 2017 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The Scheme has a performance vesting condition and is subject to forfeiture if the participants cannot meet certain performance targets set by the board of directors.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

36. SHARE OPTION SCHEME (Continued)

b) The Legend (Continued)

The following share options were outstanding during the year:

	2022		2021	
	Weighted Average exercise price US$ per share	Number of options '000	Weighted Average exercise price US$ per share	Number of options '000
At 1 January	**2.8970**	**9,529**	1.9353	14,241
Granted during the year	**19.4468**	**2,265**	15.4774	595
Exercised during the year	**1.8032**	**(2,041)**	1.3346	(4,056)
Forfeited during the year	**4.2888**	**(573)**	2.9987	(1,251)
At 31 December	**7.1370**	**9,180**	2.8970	9,529
Exercisable at 31 December	**2.8705**	**3,281**	1.4334	2,828

The weighted average share price at the date of exercise for share options exercised during the year was US$22.581 per share (2021: US$18.485 per share).

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36. SHARE OPTION SCHEME (Continued)

b) The Legend (Continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the year are as follows:

31 December 2022 Number of options '000	Exercise price* US$ per share	Exercise period
2,875	0.5	2019/12/25~2027/12/25
1,248	1.0	2019/07/01~2028/08/29
271	1.0	2019/12/31~2028/12/30
1,393	1.5	2020/07/02~2029/07/01
201	11.5	2020/11/29~2029/11/28
90	11.5	2021/06/05~2030/06/04
322	16.3	2021/09/01~2030/08/31
—	13.6	2021/11/19~2030/11/18
410	14.1	2022/03/29~2031/03/28
165	19.0	2022/08/27~2031/08/26
740	18.4	2023/03/31~2032/03/31
750	18.2	2023/04/30~2032/04/30
80	18.4	2023/05/02~2032/05/02
40	18.4	2023/05/05~2032/05/05
80	18.4	2023/05/08~2032/05/08
200	18.4	2023/05/10~2032/05/10
15	19.7	2023/05/13~2032/05/13
240	27.5	2023/06/30~2032/06/30
60	23.3	2023/08/02~2032/08/02
9,180		

36. SHARE OPTION SCHEME (Continued)

b) The Legend (Continued)

31 December 2021 Number of options '000	Exercise price* US$ per share	Exercise period
4,054	0.5	2019/12/25~2027/12/25
1,849	1.0	2019/07/01~2028/08/29
382	1.0	2019/12/31~2028/12/30
1,822	1.5	2020/07/02~2029/07/01
332	11.5	2020/11/29~2029/11/28
90	11.5	2021/06/05~2030/06/04
385	16.3	2021/09/01~2030/08/31
20	13.6	2021/11/19~2030/11/18
430	14.1	2022/03/29~2031/03/28
165	19.0	2022/08/27~2031/08/26
9,529		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in Legend's share capital. Pursuant to certain listing rules of the Hong Kong Stock Exchange to which members of the Genscript Group are subject to, Legend adjusted the exercise price of options granted during 29 November 2019 through 9 December 2019 to $11.50 per share in 2021. Concurrent with this adjustment, Legend agreed to pay each employee holding affected share options an amount in cash representing the difference between the adjusted exercise price over the original exercise price upon exercising the share options.

The fair value of the share options granted during the year was US$27,200,000(US$27.2 each) (2021: US$5,651,000(US$9.497 each)). Legend recognised a share option expense of US$10,738,000 (2021: US$2,385,000) during the year ended 31 December 2022.

36. SHARE OPTION SCHEME (Continued)

b) The Legend (Continued)

The fair value of equity-settled share options granted during the year was estimated, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	31 December 2022	31 December 2021
Dividend yield (%)	**—**	—
Expected volatility (%)	**73.0–87.1**	73.2–76.4
Risk-free interest rate (%)	**0.52–3.11**	0.03–1.72
Expected life of options (year)	**10**	10

The weighted average share price was $19.4468 used in the share option fair value valuation model during the year ended 31 December 2022.

The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of comparable listed companies in the same industry.

At the end of reporting period, Legend had 9,180,000 share options outstanding under the scheme, which represented approximately 2.8% of Legend's shares in issue as at that date. The exercise in full of the outstanding share options would, under the present capital structure of the Legend, result in the issue of 9,180,000 additional ordinary shares of the Legend, an additional share capital of approximately US$918 and a share premium of approximately US$65,500,000 (before issue expenses).

37. RESTRICTED STOCK SHARES

a) The Company

The Company operates the restricted stock unit schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the restricted share award scheme adopted by the Company on 22 March 2019 (the "**2019 RSU Scheme**") include the Company's directors, including independent non-executive directors, and employees of any member of the Group. Eligible participants of the restricted share award scheme adopted by the Company on 23 August 2021 (the "**2021 RSU Scheme**", together with the 2019 RSU Scheme, the "**RSU Schemes**") include (i) directors or employees of the Group, and/or (ii) person who has made significant contribution, or will potentially make significant contribution to, the development of the Group. The RSU Schemes have a performance vesting condition and is subject to forfeiture if the participants cannot meet certain performance target (if any) set by the board of directors.

37. RESTRICTED STOCK SHARES (Continued)

a) The Company (Continued)

The movement in the number of RSUs outstanding for the year ended 31 December 2022 was as follows:

	2022 Number '000	2021 Number '000
At 1 January	**12,497**	5,330
Granted during the year	**5,071**	8,113
Forfeited during the year	**(2,183)**	(512)
Exercised during the year	**(3,997)**	(434)
At 31 December	**11,388**	12,497

The weighted-average remaining contractual life for outstanding RSUs granted under the RSU Scheme was 3.17 years as of 31 December 2022 (2021: 3.96 years).

The fair value of the awarded shares was calculated based on the market price of the Company's shares at the respective grant date.

The fair value of the RSUs granted during the year was US$15,172,000 (US$2.992 each) (2021: US$33,615,000 (US$4.143 each). The Group recognised RSUs expense of US$16,964,000 (2021: US$12,818,000) during the year ended 31 December 2022.

At the end of the reporting period, the Company had 11,388,000 RSUs outstanding under the RSU Scheme, which represented approximately 0.5% of the Company's shares in issue as at that date.

Subsequent to the end of the reporting period, on 18 January 2023, a total of 2,900,000 RSUs were granted to certain employees and directors of the Company in respect of their services to the Group in the forthcoming year. These RSUs will be vested in one to three batches, and the last batch of these above mentioned RSUs will be vested on 17 December 2025. The market price of the Company's shares at the date of grant was HK$27.90 per share.

At the date of approval of these financial statements, the Company had 14,288,000 RSUs outstanding under the Scheme, which represented approximately 0.68% of the Company's shares in issue as at that date.

37. RESTRICTED STOCK SHARES (Continued)

b) The Legend

Legend operates a restricted stock unit plan (the "**Legend RSU Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Legend's operations. Eligible participants of the Plan include the Legend's directors, including independent non-executive directors, and employees of any member of the Legend. The Legend RSU Scheme became effective on 26 May 2020 unless otherwise cancelled or amended.

The movement in the number of RSU outstanding for the year ended 31 December 2022 was as follows:

	2022 Number '000	2021 Number '000
At 1 January	**2,601**	1,112
Granted during the year	**2,200**	2,133
Forfeited during the year	**(915)**	(295)
Exercised during the year	**(500)**	(349)
At 31 December	**3,386**	2,601

The weighted-average remaining contractual life for outstanding RSUs granted under the Legend RSU Scheme was 7.86 years as of 31 December 2022 (2021: 8.16 years).

The fair value of the awarded shares was calculated based on the market price of the Legend's shares at the respective grant date.

The fair value of the RSUs granted during the year was US$45,300,000 (US$20.570 each) (2021: US$32,016,000 (US$15.012 each)). Legend recognised RSUs expense of US$23,600,000 (2021: US$17,773,000) during the year ended 31 December 2022.

At the end of the reporting period, Legend had 3,386,000 RSUs outstanding under the Legend RSU Scheme, which represented approximately 1.0% of the Legend's shares in issue as at that date.

c) The Probio

Probio operates a restricted stock unit plan (the "**Probio RSU Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Probio's operations. Eligible participants of the Probio RSU Scheme include the Probio's directors, including independent non-executive directors, and employees of any member of the Probio. The Probio RSU Scheme became effective on 3 August 2021 unless otherwise cancelled or amended.

37. RESTRICTED STOCK SHARES (Continued)

c) The Probio (Continued)

The movement in the number of RSUs outstanding for the year ended 31 December 2022 was as follows:

	2022 Number '000	2021 Number '000
At 1 January	**97,302**	—
Granted during the year	**13,046**	97,302
Forfeited during the year	**(4,734)**	—
Vested during the year	**(16,682)**	—
At 31 December	**88,932**	97,302

The weighted average remaining contractual life for outstanding RSUs granted under the Probio RSU Scheme was 4.10 years as of 31 December 2022 (2021: 5.03 years).

The fair value of the awarded shares was calculated based on the fair value of the ordinary shares of Probio Cayman at the respective grant date, which was estimated using the discounted cash flow method with below key assumptions were applied in the valuation technique:

	12 July 2022	17 December 2021
Fair value of ordinary shares of Probio Cayman	**US$0.61**	US$0.53
Risk-free interest rate	**3.01%**	1.14%
DLOM	**22.00%-27.00%**	23.00%-26.00%
Volatility	**56.83%-57.81%**	55.76%-57.61%

The fair value of the RSU granted during the year was US$7,915,000 (US$0.61 each) (2021: US$ 51,687,000 (US$0.53 each)). The Group recognised a share option expense of US$12,058,000 (2021: US$ 879,000) during the year ended 31 December 2022.

At the end of the reporting period, Probio had 88,932,000 restricted share units outstanding under the Probio RSU Scheme (including vested but not exercised RSUs), which represented approximately 4.6% of the Probio's ordinary shares in issue as at that date.

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38. RESERVES

The amounts of the Group's reserves and the movements therein for the reporting periods are presented in the consolidated statement of changes in equity on pages 114 to 115 of the financial statements.

In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserves may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations with a functional currency other than US$.

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

For the year ended 31 December 2022, the Group had non-cash additions to interest-bearing loans and borrowings of US$130,300,000 (2021: US$119,700,000) which was received through the deduction of other payables to collaborator.

For the year ended 31 December 2022, the Group had non-cash fair value gains of 18,769,000 of financial liabilities at fair value with changes through profit or loss (2021: fair value losses of US$139,428,000).

For the year ended 31 December 2022, the Group had non-cash additions to right-of-use assets and lease liabilities of US$34,107,000 (2021: US$31,759,000) and US$29,283,000 (2021: US$29,456,000), respectively, in respect of lease arrangements for buildings and office premises.

For the years ended 31 December 2022, the Group had non-cash additions to collaboration prepaid leases included in the other payables and accruals for the assets leased from the collaboration partner of US$26,500,000 (2021: US$7,600,000) and had non-cash additions to property, plant and equipment included in other payables and accruals of US$5,100,000 (2021: US$6,700,000).

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Changes in liabilities arising from financing activities

2022

	Financial liabilities at fair value through profit or loss US$'000	Lease liabilities US$'000	Interest-bearing loans and borrowings US$'000
At 1 January 2022	371,128	34,859	121,591
Changes from financing cash flows	—	(6,925)	32,599
Fair value changes	(17,419)	—	—
New leases	—	29,283	—
Non-cash additions (Note 39(a))	—	—	130,300
Exchange realignment	—	(767)	70
Disposal	—	(1,338)	—
Interest expense	—	1,632	10,534
Interest paid classified as operating cash flows	—	(1,632)	(407)
At 31 December 2022	353,709	55,112	294,687

2021

	Financial liabilities at fair value through profit or loss US$'000	Lease liabilities US$'000	Interest-bearing loans and borrowings US$'000
At 1 January 2021	—	9,101	42,957
Changes from financing cash flows	231,700	(3,719)	(45,175)
Fair value changes	139,428	—	—
New leases	—	29,456	—
Non-cash additions (Note 39(a))	—	—	119,700
Exchange realignment	—	185	3,307
Disposal	—	(164)	—
Interest expense	—	797	1,581
Interest paid classified as operating cash flows	—	(797)	(779)
At 31 December 2021	371,128	34,859	121,591

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39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2022 US$'000	2021 US$'000
Within operating activities	**4,990**	1,752
Within financing activities	**6,925**	3,719
At 31 December	**11,915**	5,471

40. PLEDGE OF ASSETS

Details of the Group's restricted cash are included in Note 25 to the financial statements.

Details of the Group's pledged property, plant and equipment and investment properties are included in Notes 13, 14 and 29 to the financial statements.

41. COMMITMENTS

(a) The Group had the following capital commitments at the end of the year:

	2022 US$'000	2021 US$'000
Contracted, but not provided for:		
Property, plant and equipment	**108,965**	97,700

(b) The Group has various lease contracts that have not yet commenced as at 31 December 2022. The future lease payments for these non-cancellable lease contracts are US$226,000 due within one year and US$108,000 due in two to five years.

42. RELATED PARTY TRANSACTIONS

Details of the Group's principal related parties are as follows:

Company	Relationship
GenScript Corporation ("**GS Corp**")	The ultimate holding company
Hunan Gomeet Biotechnology Co., Ltd. ("**Gomeet**")	Associate
Maple Bio ("**Maple Bio**")	Associate
Maple Bio (Nanjing) Co., Ltd. ("**Maple Bio Nanjing**")	Associate
Maple Bio HK Limited ("**Maple Bio HK**")	Associate
Gourd Therapeutics, Inc. ("**Gourd**")	Associate
Xinhua Biological Pharmaceutical (Guangzhou) Co., LTD ("**Xinhua**")	Controlled by a director of the Company

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Note	**2022 US$'000**	2021 US$'000
Sales of products to Gomeet	(i)	**643**	474
Sales of products and service to Xinhua	(i)	**139**	—
Sales of products to Gourd	(i)	**16**	19
Sales of products and service to Maple Bio Nanjing	(i)	**—**	339
Purchase of products from Gomeet	(i)	**—**	50
Purchase of service from Maple Bio Nanjing	(i)	**455**	440
Purchase of intangible assets from Maple Bio Nanjing	(i)	**406**	—
Purchase of property and equipment from Maple Bio Nanjing	(i)	**—**	1,658
Repayment from Maple Bio Nanjing	(ii)	**1,477**	319

Notes:

(i) The prices are mutually agreed after taking into account the prevailing market prices.

(ii) The loans to Maple Bio Nanjing were unsecured and repayable within one year with interest rates ranged from 0% to 5.15%. The Group recognised interest income of US$62,000 (2021: US$101,000) during the year ended 31 December 2022.

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42. RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with related parties:

The Group had the following significant balances with its related parties during the year:

(i) Due from related parties

	2022 US$'000	2021 US$'000
Maple Bio HK*	**201**	201
Xinhua	**112**	—
Maple Bio	**89**	89
GS Corp	**15**	—
Maple Bio Nanjing*	**—**	4,261
	417	4,551

Except for the balance amounted US$37,000 (2021: US$200,000) with Maple Bio HK which were interest-bearing and repayable within one year, the other balances are unsecured, interest-free and have no fixed terms of repayment.

* Further details of the impairment of loans to associates are included in Note 18 to the financial statements.

(ii) Due to related parties

	2022 US$'000	2021 US$'000
Xinhua	**7**	—
Maple Bio Nanjing	**—**	1,256
	7	1,256

42. RELATED PARTY TRANSACTIONS (Continued)

(c) Compensation of key management personnel of the Group:

	2022 US$'000	2021 US$'000
Short-term employee benefits	**3,488**	3,900
Pension scheme contributions	**28**	23
Equity-settled share-based compensation expense	**2,992**	3,798
Total compensation paid to key management personnel	**6,508**	7,721

Further details of directors' emoluments are included in Note 8 to the financial statements.

43. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that have material non-controlling interests are set out below:

	2022	2021
Percentage of equity interest held by non-controlling interests:		
Legend	**47.13%**	43.43%

	2022 US$'000	2021 (Restated) US$'000
Loss for the year allocated to non-controlling interests:		
Legend	**201,749**	159,740
Accumulated balances of non-controlling interests at the reporting date:		
Legend	**350,799**	332,641

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43. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (Continued)

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

	2022 US$'000	2021 (Restated) US$'000
Revenue	**117,005**	68,826
Total expenses	**(497,991)**	(476,001)
Loss for the year	**(446,349)**	(403,582)
Total comprehensive loss for the year	**(436,542)**	(398,367)
Current assets	**1,099,119**	949,850
Non-current assets	**231,844**	169,615
Current liabilities	**297,788**	229,204
Non-current liabilities	**288,863**	124,317
Net cash flows used in operating activities	**(201,281)**	(198,465)
Net cash flows used in investing activities	**(77,092)**	(194,983)
Net cash flows from financing activities	**377,976**	626,663
Net increase in cash and cash equivalents	**99,603**	233,215

44. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2022

Financial assets

	Financial assets at fair value through profit or loss designated as such upon initial recognition US$'000	Financial assets at amortised cost US$'000	Total US$'000
Financial assets at fair value through profit or loss	222,476	–	222,476
Other non-current assets	–	3,483	3,483
Time deposits	–	228,511	228,511
Trade and notes receivables	–	104,089	104,089
Financial assets included in prepayments, other receivables and other assets	–	46,465	46,465
Loans to associates	–	37	37
Restricted cash	–	27,203	27,203
Cash and cash equivalents	–	1,023,999	1,023,999
	222,476	1,433,787	1,656,263

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44. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2022 (Continued)

Financial liabilities

	Financial liabilities at fair value through profit or loss designated as such upon initial recognition US$'000	Financial liabilities at amortised cost US$'000	Total US$'000
Financial liabilities at fair value through profit or loss	353,709	–	353,709
Financial liability measured at amortized cost	–	36,761	36,761
Trade and bills payables	–	55,755	55,755
Financial liabilities included in other payables and accruals	–	67,828	67,828
Interest-bearing loans and other borrowings	–	294,687	294,687
Lease liabilities	–	55,112	55,112
	353,709	510,143	863,852

44. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2021 (Restated)

Financial assets

	Financial assets at fair value through profit or loss designated as such upon initial recognition US$'000	Financial assets at amortised cost US$'000	Total US$'000
Financial assets at fair value through profit or loss	12,652	—	12,652
Other non-current assets	—	1,103	1,103
Time deposits	—	194,793	194,793
Trade and notes receivables	—	142,345	142,345
Financial assets included in prepayments, other receivables and other assets	—	6,179	6,179
Financial assets measured at amortised cost	—	29,937	29,937
Loans to associates	—	1,680	1,680
Restricted cash	—	1,444	1,444
Cash and cash equivalents	—	1,180,971	1,180,971
	12,652	1,558,452	1,571,104

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44. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2021 (Restated) (Continued)

Financial liabilities

	Financial liabilities at fair value through profit or loss designated as such upon initial recognition US$'000	Financial liabilities at amortised cost US$'000	Total US$'000
Financial liabilities at fair value through profit or loss	371,128	—	371,128
Trade and bills payables	—	30,176	30,176
Financial liabilities included in other payables and accruals	—	51,846	51,846
Interest-bearing loans and other borrowings	—	121,591	121,591
Lease liabilities	—	34,859	34,859
	371,128	238,472	609,600

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2022 US$'000	2021 US$'000	**2022 US$'000**	2021 US$'000
Financial assets				
Financial assets at fair value through profit or loss	**222,476**	12,652	**222,476**	12,652
Financial liabilities				
Financial liabilities at fair value through profit or loss	**353,709**	371,128	**353,709**	371,128

Management has assessed that the fair values of time deposits, trade and notes receivables, financial assets included in prepayments, other receivables and other assets, financial assets measured at amortised cost, loans to associates, restricted cash, cash and cash equivalents, trade and bills payables, financial liability measured at amortized cost, financial liabilities included in other payables and accruals, interest-bearing bank and other borrowings and lease liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the finance manager. At each reporting date, the finance department analysed the movements in the values of financial instruments and determined the major inputs applied in the valuation. The valuation was reviewed and approved by the finance manager. The valuation process and results are discussed with the directors twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments.

Assets measured at fair value:

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets* (Level 1) US$'000	**Significant observable inputs (Level 2) US$'000**	**Significant unobservable inputs (Level 3) US$'000**	**Total US$'000**
Financial assets at fair value through profit or loss	**185,603**	**36,873**	**—**	**222,476**

* Financial assets measured at fair value represents money market funds, which are classified as level 1 in the fair value hierarchy.

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) US$'000	Significant observable inputs (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000
Financial assets at fair value through profit or loss	—	12,652	—	12,652

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Liabilities measured at fair value:

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) US$'000	**Significant observable inputs (Level 2) US$'000**	**Significant unobservable inputs (Level 3) US$'000**	**Total US$'000**
Financial liabilities at fair value profit or loss	**—**	**68,350**	**285,359**	**353,709**

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) US$'000	Significant observable inputs (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000
Financial liabilities at fair value profit or loss	—	87,900	283,228	371,128

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2021: Nil).

Valuation techniques and significant inputs used to determine fair values:

(a) Level 2 financial instruments:

Financial assets:

The fair value of investment in unlisted equity investments were calculated based on a) net assets value of the investee which approximate the fair value and b) the investees' recent transaction prices.

The fair value of wealth management products issued by banks was estimated based on expected return that reflect the credit risk of the products.

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

(a) Level 2 financial instruments: (Continued)

Financial liabilities:

The following table lists the inputs to the binomial model used for the fair value valuation of warrant liability (Legend Warrant):

Legend Warrant	31 December 2022	31 December 2021
Underlying stock price	**US$24.96**	US$23.31
Volatility	**62.30%**	70.50%
Risk free rate	**3.8%–4.7%**	0.58%
Dividend	**0%**	0%

Forward currency contracts, is measured using valuation techniques similar to forward pricing, using present value calculations. The model incorporates market observable inputs including foreign exchange spot, forward exchange rates and risk-free interest rate curves.

(b) Level 3 financial instruments

Financial liabilities:

As at 31 December 2022, the Group measured the Probio Series A Preferred Shares and Probio Warrant at fair value. The fair value of Probio Series A Preferred Shares is determined by using the valuation techniques, including the discounted cash flow method and the back-solve method. The fair value of Probio Warrant is determined by using the Black-Scholes model. Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis:

Probio Series A Preferred Shares	31 December 2022	31 December 2021
Fair value of ordinary shares of Probio Cayman	**US$0.60**	US$0.54
Risk-free interest rate (Note i)	**4.05%**	1.21%
DLOM (Note ii)	**16.00%–21.00%**	16.00%–27.00%
Volatility (Note iii)	**54.80%–57.14%**	56.03%–56.39%

The Group estimated the risk-free interest rate based on the yield of the United States Government Bond with maturity close to the expected exit timing as of the valuation date. The DLOM was estimated based on the option-pricing method. Under the option-pricing method, the cost of a put option, which can hedge the price change before the privately held shares can be sold, was considered as a basis to determine the lack of marketability discount. Volatility was estimated based on the annualised standard deviation of the daily stock price return of comparable companies for a period from the valuation date and with a similar time span to expiration.

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

(b) Level 3 financial instruments (Continued)

Financial liabilities: (Continued)

Notes:

i. 0.25% increase/decrease in the risk-free interest rate with all other variables held constant would decrease/increase the fair value of Probio Series A Preferred Shares by US$884,000 and US$893,000 as at 31 December 2022, respectively.

ii. 5% increase/decrease in DLOM with all other variables held constant would decrease/increase the fair value of Probio Series A Preferred Shares by US$16,331,000 and US$16,331,000 as at 31 December 2022, respectively.

iii. 5% increase/decrease in volatility with all other variables held constant would decrease/increase the fair value of Probio Series A Preferred Shares by US$6,303,000 and US$5,803,000 as at 31 December 2022, respectively.

Probio Warrant	**31 December 2022**	31 December 2021
Fair value of ordinary shares of Probio Cayman	**US$0.60**	US$0.54
Risk-free interest rate (Note i)	**4.75%**	0.62%
Volatility (Note ii)	**49.59%**	57.06%

The Group estimated the risk-free interest rate based on the yield of the United States Government Bond with maturity close to the expected exit timing as of the valuation date. Volatility was estimated based on the annualised standard deviation of the daily stock price return of comparable companies for a period from the valuation date and with a similar time span to expiration.

Notes:

i. 0.25% increase/decrease in the risk-free interest rate with all other variables held constant would increase/decrease the fair value of Probio Warrant by US$131,000 and US$131,000 as at 31 December 2022, respectively.

ii. 5% increase/decrease in volatility with all other variables held constant would increase/decrease the fair value of Probio Warrant by US 850,000 and US$723,000 as at 31 December 2022, respectively.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing loans and other borrowings, convertible redeemable preferred shares, cash and cash equivalents, time deposits and restricted cash. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and notes receivables and trade and bills payables, which arise directly from its operations.

The Group also enters into forward currency contracts transaction. The purpose is to manage the currency risks arising from the Group's operations and its sources of finance.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

As at 31 December 2022, the Group's exposure to the risk of changes in interest rates was primarily relates to the Group's interest-bearing loans and other borrowings as disclosed in Note 29 to the financial statements. As at 31 December 2022, management considered that any reasonable changes in the interest rate would not have significant impact on the interest expense of these interest-bearing loans and other borrowings, and the exposure is insignificant. Accordingly, no sensitivity analysis for interest rate risk is presented.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. Approximately 3% (2021: 4%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sales, whilst approximately 1% (2021: 1%) of costs were denominated in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's loss before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in the rate of foreign currency %	(Decrease)/ increase in equity US$'000
Year ended 31 December 2022		
If US$ strengthens against RMB	**5**	**(5,201)**
If US$ weakens against RMB	**(5)**	**5,201**
Year ended 31 December 2021		
If US$ strengthens against RMB	5	(3,168)
If US$ weakens against RMB	(5)	3,168

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

The carrying amounts of cash and cash equivalents, time deposits, financial assets at fair value through profit or loss and restricted cash are the Group's maximum exposure to credit risk in relation to its financial assets. The group expects that there is no significant credit risk associated with above financial assets since they are substantially held in reputable state-owned banks and other medium or large-sized listed bank.

In respect of trade and other receivables, individual credit rating is performed on customers and counterparties. These evaluations focus on the counterparty's business performance, including but not limited to, financing activities, financial position and market economic environment, and past history of payment punctuality. Prepayment requirement is determined and credit limit is granted based on the credit rating and historical contracting amount, which will be reviewed quarterly. Monitoring procedures have been implemented to ensure that follow-up actions will be taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual transaction and accounts' revenue volume, outstanding balances, long-time past due invoices and payment records semi-yearly to ensure that adequate impairment losses are made for irrecoverable amounts.

Maximum exposure and year-end staging

As at 31 December 2022

	12 months ECLs	Lifetime ECLs			
	Stage 1 US$'000	Stage 2 US$'000	Stage 3 US$'000	Simplified approach US$'000	Total US$'000
Other non-current assets	3,483	—	—	—	3,483
Trade and notes receivables*	—	—	—	107,450	107,450
Financial assets included in prepayments, other receivables and other assets					
— Normal**	46,465	—	—	—	46,465
— Doubtful**	—	—	—	—	—
Loans to associates	37	—	—	—	37
Restricted cash	27,203	—	—	—	27,203
Time deposits					
— not yet past due	228,511	—	—	—	228,511
Cash and cash equivalents					
— not yet past due	1,023,999	—	—	—	1,023,999
	1,329,698	—	—	107,450	1,437,148

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31 December 2022

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

As at 31 December 2021

	12 months ECLs	Lifetime ECLs			
	Stage 1 US$'000	Stage 2 US$'000	Stage 3 US$'000	Simplified approach US$'000	Total US$'000 (Restated)
Other non-current assets	1,103	—	—	—	1,103
Trade and notes receivables*	—	—	—	145,517	145,517
Financial assets included in prepayments, other receivables and other assets					
— Normal**	6,179	—	—	—	6,179
— Doubtful**	—	—	—	—	—
Financial assets measured at amortised cost	29,937	—	—	—	29,937
Loans to associates	1,680	—	—	—	1,680
Restricted cash	1,444	—	—	—	1,444
Time deposits					
— not yet past due	194,793	—	—	—	194,793
Cash and cash equivalents					
— not yet past due	1,180,971	—	—	—	1,180,971
	1,416,107	—	—	145,517	1,561,624

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in Note 22 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in Notes 22 and 23 to the financial statements, respectively.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., trade receivables and other financial assets) and projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on contractual undiscounted payments, is as follows:

Year ended 31 December 2022

	Less than 1 years US$'000	Over 1 years US$'000	Total US$'000
Interest-bearing bank borrowings (note i)	33,876	261,007	294,883
Trade and bills payables	55,755	—	55,755
Other payables and accruals	67,828	—	67,828
Lease liabilities	10,480	52,227	62,707
Financial liabilities at fair value through profit or loss (note ii)	—	240,000	240,000
Financial liability measured at amortized cost (note iii)	—	48,504	48,504
	167,939	601,738	769,677

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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

Year ended 31 December 2021

	Less than 1 years US$'000	Over 1 years US$'000	Total US$'000
Interest-bearing bank borrowings (note i)	525	121,072	121,597
Trade and bills payables	30,176	—	30,176
Other payables and accruals	51,846	—	51,846
Lease liabilities	7,127	32,611	39,738
Financial liabilities at fair value through profit or loss (note ii)	—	240,000	240,000
	89,674	393,683	483,357

Note:

(i) For Funding Advances from Janssen, pursuant to the terms of the license and collaboration agreement, the collaborator may recoup the aggregate amount of Funding Advances together with interest thereon from Company's share of pre-tax profits for the first profitable year of the collaboration program and, subject to some limitations, from milestone payments due to the Company under the Janssen Agreement. The management estimated the loan will not be recouped by the collaborator within one year, nor does the Group expect to repay the funding advances within one year

(ii) The liquidity risk of the Probio Series A Preferred Shares is the initial investment amount principal plus the pre-determined agreed interest rate in the documents of the Series A Financing, assuming that it will be due on 3 September 2026 without any conversion into ordinary share of Probio Cayman.

(iii) The liquidity risk of the Probio Series B Preferred Shares is the initial investment amount principal plus the pre-determined agreed interest rate in the documents of the Series B Financing, assuming that it will be due on 6 July 2027 without any conversion into ordinary share of Probio Cayman.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate benchmark reform

As at 31 December 2022, the Group had certain interest-bearing bank borrowings denominated in US$ and Japanese yen. The interest rates of these instruments are based on the LIBOR and TIBOR, which will cease to be published after 30 June 2023. Replacement of the benchmark rates of these instruments from LIBOR and TIBOR to an RFR has yet to commence but it is expected that there will be renegotiations of terms in the future. During the transition, the Group is exposed to the following risks:

- Parties to the contract may not reach agreement in a timely manner as any changes to the contractual terms require the agreement of all parties to the contract

- Additional time may be needed for the parties to the contract to reach agreement as they may renegotiate terms which are not part of the interest rate benchmark reform (e.g., changing the credit spread of the bank borrowings due to changes in credit risk of the Group)

- The existing fallback clause included in the instruments may not be adequate to facilitate a transition to a suitable RFR

The Group will continue to monitor the development of the reform and take proactive measures for a smooth transition.

The information about financial instruments based on an interbank offered rate that has yet to transition to an alternative benchmark rate is as follows:

As at 31 December 2022

	Non-derivative financial liabilities — carrying value US$'000
Interest-bearing bank borrowings	
— US$ LIBOR	261,457
— Japanese yen TIBOR	526
	261,983

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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 31 December 2021.

The Group monitors capital using a gearing ratio, which is total liabilities divided by total assets. The gearing ratios as at the end of the years were as follows:

	2022 US$'000	2021 (Restated) US$'000
Total liabilities	1,183,715	846,175
Total assets	2,546,383	2,233,868
Gearing ratio	46.5%	37.9%

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2022 US$'000	2021 US$'000
NON-CURRENT ASSETS		
Loans to subsidiaries	**126,398**	125,552
Investments in subsidiaries	**224,293**	222,942
Financial assets at fair value through profit or loss	**75,690**	80,050
Total non-current assets	**426,381**	428,544
CURRENT ASSETS		
Due from subsidiaries	**117,712**	161,099
Prepayments, other receivables and other assets	**997**	188
Cash and cash equivalents	**120,202**	75,616
Total current assets	**238,911**	236,903
CURRENT LIABILITIES		
Due to subsidiaries	**2,554**	2,742
Trade and bills payables	**39**	9
Other payables and accruals	**599**	73
Total current liabilities	**3,192**	2,824
NET CURRENT ASSETS	**235,719**	234,079
TOTAL ASSETS LESS CURRENT LIABILITIES	**662,100**	662,623
Net assets	**662,100**	662,623
EQUITY		
Share capital	**2,111**	2,096
Treasury shares	**(11,922)**	(15,753)
Reserves	**671,911**	676,280
Total equity	**662,100**	662,623

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47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note: A summary of the Company's reserves is as follows:

	Share premium US$'000	Share option reserve US$'000	Retained profits/ (accumulated losses) US$'000	Total US$'000
At 1 January 2021	384,027	18,508	(33)	402,502
Total comprehensive income for the year	—	—	9,279	9,279
Issuance of shares of the Company	247,436	—	—	247,436
Exercise of share options	20,445	(6,881)	—	13,564
Equity-settled share-based compensation arrangements	—	3,499	—	3,499
At 31 December 2021 and 1 January 2022	**651,908**	**15,126**	**9,246**	**676,280**
Total comprehensive income for the year	**—**	**—**	**(7,407)**	**(7,407)**
Exercise of share options	**7,838**	**(6,203)**	**—**	**1,635**
Equity-settled share-based compensation arrangements	**—**	**1,403**	**—**	**1,403**
At 31 December 2022	**659,746**	**10,326**	**1,839**	**671,911**

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in Note 2.5 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised or be transferred to retained profits should the related options expire or be forfeited.

48. SUBSEQUENT EVENT

On 17 January 2023, Probio Cayman entered into the subscription agreement with the Series C investors (including the Company), whereby Probio Cayman agreed to issue and sell, and Series C investors agreed to purchase 319,998,370 Series C Preferred Shares of Probio Cayman at an aggregate consideration of US$223,998,859.

On 18 January 2023, a total of 2,900,000 RSUs were granted to certain employees and directors of the Company in respect of their services to the Group in the forthcoming year. These RSUs will be vested in one to three batches and the last batch of these above mentioned RSUs will be vested on 17 December 2025.

49. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2023.

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