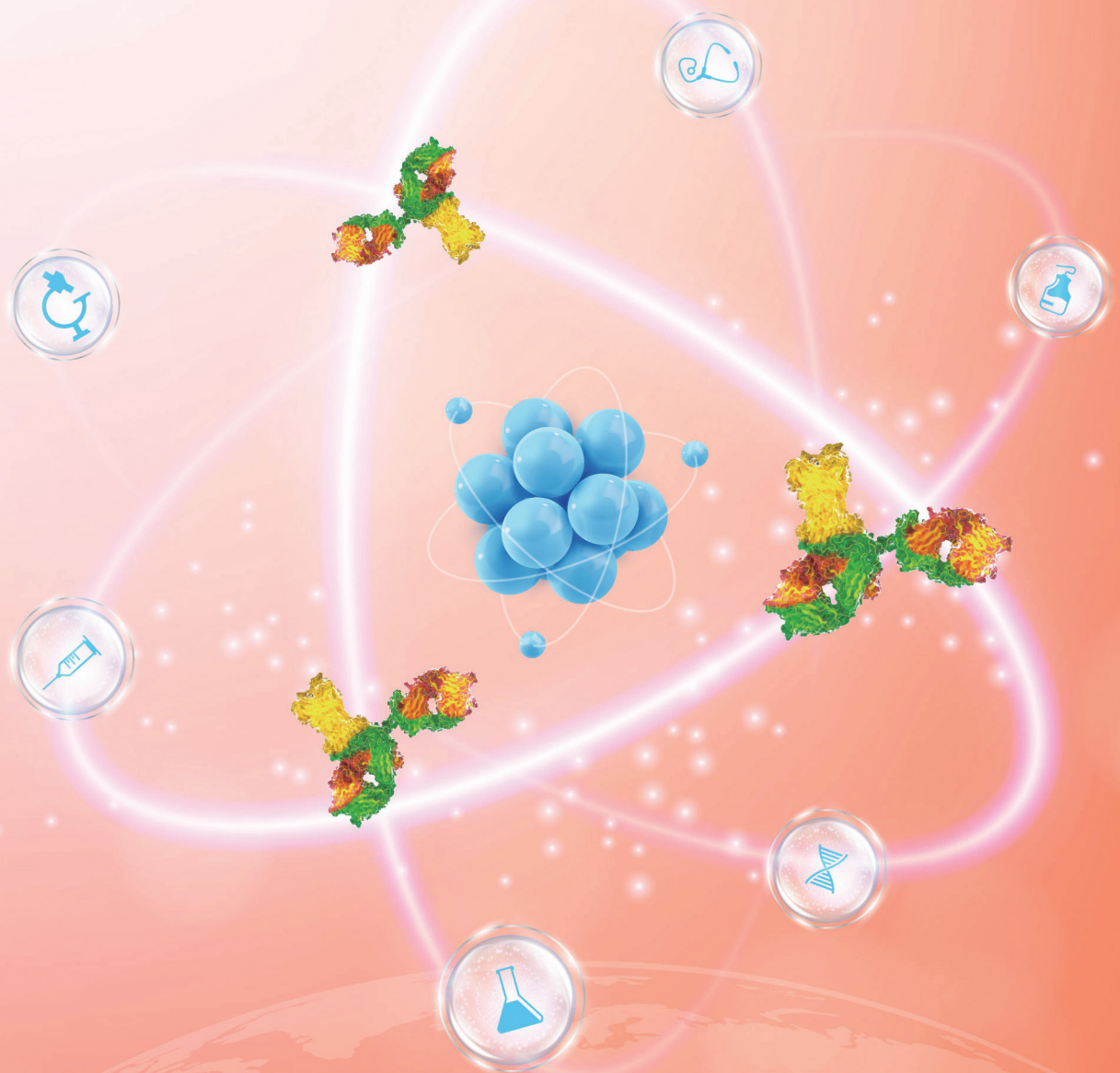
创胜集团
TRANSCENTA

Transcenta Holding Limited
創勝集團醫藥有限公司

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

Stock Code: 6628



2022
ANNUAL REPORT

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. Xueming Qian (錢雪明) *(Chief Executive officer)*
Mr. Xiaolu Weng (翁曉路) *(Chief Financial Officer)*
(Appointed with effect from March 21, 2022)
Mr. Albert Da Zhu (朱達)
(Passed away on June 26, 2022)
Dr. Michael Ming Shi (石明)
(Resigned with effect from July 20, 2022)

Non-Executive Director

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

Independent Non-Executive Directors

Mr. Jiasong Tang (唐稼松)
Dr. Jun Bao (包駿)
Mr. Zhihua Zhang (張志華)
Dr. Kumar Srinivasan
(Appointed with effect from December 19, 2022)

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Mr. Zhihua Zhang (張志華) *(Chairperson)*
Dr. Xueming Qian (錢雪明)
Dr. Jun Bao (包駿)
Dr. Kumar Srinivasan

JOINT COMPANY SECRETARIES

Mr. Albert Da Zhu (朱達) *(Passed away on June 26, 2022)*
Ms. Leung Kwan Wai (梁君慧)
(Associate of The Chartered Governance Institute, Associate of The Hong Kong Chartered Governance Institute)

AUTHORISED REPRESENTATIVES

Dr. Xueming Qian (錢雪明)
Ms. Leung Kwan Wai (梁君慧)

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F One Pacific Place
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Hong Kong

REGISTERED OFFICE

Walkers Corporate Limited
190 Elgin Avenue, George Town
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Cayman Islands

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Corporate Information

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18 Chater Road
Central
Hong Kong

COMPLIANCE ADVISOR

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Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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190 Elgin Avenue, George Town
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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17/F
Far East Finance Centre
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PRINCIPAL BANKS

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STOCK CODE

6628

COMPANY WEBSITE

http://www.transcenta.com/

CEO's Statement

Dear Shareholders,

2022 marked 10th year in Transcenta's history with strong operational and financial performance. Despite 2022 being a challenging year for the biotech industry globally, we made key progresses in multiple aspects. First we achieved significant progresses in advancing our pipeline molecules, especially for our key programs of TST001, TST002 and TST003. Secondly, we continued to strengthen our capability to supply for both clinical and commercial supply, achieved strong revenue growth in 2022 in CDMO service and reduced our operating expense. Finally, we recruited several key talents to strengthen our global development capability and partnering strategy. We are on track to execute our long-term growth strategy.

To reinforce our vision as a global biopharmaceutical enterprise, we successfully navigated through 2022 with a focused business execution and a multi-regional development strategy. Our global footprint and diverse product portfolio have given us the foundation to expedite the development of new therapies to patients with high unmet medical needs and create even greater value for all our stakeholders.

The significant clinical and regulatory achievements we accomplished in 2022 will inject new momentum into our business growth, broaden our product portfolio and advance our pipeline. In 2022, we further advanced the development of Osemitamab (TST001), which has delivered encouraging clinical efficacy with a favorable safety profile in the ongoing Phase Ib/II chemotherapy combination trial and is poised for a global Phase III pivotal trial in 2023. We have also successfully enrolled patients for TST002 with encouraging BMD-increasing activity observed. We received IND clearances for first-in-class gremlin1 targeting antibody TST003 for solid tumors and best-in-class MASP2 targeting antibody TST004 for IgA nephropathy. Besides our pipeline progresses, we have also achieved a significant revenue year-on-year increase of 102% in 2022, driven by our continued efforts in expanding and diversifying CDMO services for a growing number of customers.

In line with our commitment to shape an innovative and risk-balanced drug pipeline covering oncology and non-oncology disease areas, we continue to invest in research capabilities and enhance antibody discovery platforms to yield candidate antibodies with superior druggability and higher commercial potential. We remain committed to our responsibility to stay competitive in our key strategic areas to translate science into life-changing medicines.

Partnerships and collaborations remain essential to us in maximizing our clinical and commercial potential and further propelling our pipeline's advancement. In 2022, we witnessed the establishment of our global clinical collaboration with Bristol Myers Squibb in terms of the combination of Osemitamab (TST001) with Opdivo® (nivolumab). In collaboration with Merck KGaA, we are further developing an industry-leading integrated continuous downstream processing platform. Remarkable progress has also been made in advancing our partnership with Eli Lilly for TST002 in Greater China and with Alebund Pharmaceuticals Limited for TST004. In addition, we also have received strong interest from MNCs and other industry players for potential collaboration on our pipeline molecules, such as Osemitamab (TST001), TST002, and TST003.

CEO's Statement

Looking ahead, Transcenta is entering 2023 with acceleration of the development of our pipeline molecules. We are firmly committed to developing Osemitamab (TST001) as the cornerstone of the future new treatment paradigm in Claudin18.2 expressing G/GEJ cancer and plan to initiate a pivotal global trial of Osemitamab (TST001) in 1L G/GEJ cancer in 2023. We expect to report mature data from our Phase Ib/II TST001/chemo trial in upcoming medical conference and interim data readout from Phase IIa TST001/Nivolumab combo cohorts in G/GEJ cancer later the year. We will also further develop TST002 for osteoporosis and TST003 for solid tumors, both offering potential exciting opportunities for patients in need. We will continue our discussions with potential partners interested in Osemitamab (TST001) and Blosozumab (TST002). We will continue to leverage our cutting-edge, continuous production technology and our proprietary cell culture medium to maximize productivity and achieve stable revenue growth while maintaining a healthy profit margin throughout our CDMO business.

Fueled by our global vision and driven by our mission to provide patients with differentiated and competitive biologics developed through our state-of-the-art technologies, we are very confident that we will unlock the full potential of our portfolio and create sustainable value for all stakeholders. I would like to thank all employees, partners, shareholders, and customers for your continued support and confidence in Transcenta. I look forward to what we will accomplish in 2023 and beyond.

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

Financial Highlights

International Financial Reporting Standards ("IFRS") Measures:

- **Revenue** increased from RMB50.2 million for the year ended December 31, 2021 to RMB101.9 million for the year ended December 31, 2022, primarily attributable to the increase in CDMO service.
- **Other income** increased by RMB13.5 million from RMB32.9 million for the year ended December 31, 2021 to RMB46.4 million for the year ended December 31, 2022, primarily due to interest income and government grants recognized during the year ended December 31, 2022.
- **Other gains and losses** increased by RMB1,229.7 million from a loss of RMB1,200.0 million for the year ended December 31, 2021 to a gain of RMB29.7 million for the year ended December 31, 2022, primarily due to the losses of fair value of financial liabilities at fair value through profit or loss from the preferred shares issued by the Company in 2021.
- **Research and development expenses** increased by RMB5.4 million from RMB344.4 million for the year ended December 31, 2021 to RMB349.8 million for the year ended December 31, 2022, primarily attributable to our pipeline advancement and resource prioritization.
- **Administrative and selling expenses** decreased by RMB32.8 million from RMB145.2 million for the year ended December 31, 2021 to RMB112.4 million for the year ended December 31, 2022, primarily attributable to the decrease in personnel cost and professional services.
- As a result of the above factors, **loss and total comprehensive expenses for the year** decreased by RMB1,296.1 million from RMB1,713.8 million for the year ended December 31, 2021 to RMB417.7 million for the year ended December 31, 2022, primarily attributable to the increase of CDMO service revenue in 2022 and the losses of financial liabilities at fair value through profit or loss from the preferred shares in 2021.

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

- **Revenue** increased from RMB50.2 million for the year ended December 31, 2021 to RMB101.9 million for the year ended December 31, 2022, primarily attributable to the increase in CDMO service.
- **Other income** increased by RMB13.5 million from RMB32.9 million for the year ended December 31, 2021 to RMB46.4 million for the year ended December 31, 2022, primarily due to interest income and government grants recognized during the year ended December 31, 2022.
- **Research and development expenses** excluding the share-based payment expenses decreased by RMB2.0 million from RMB342.5 million for the year ended December 31, 2021 to RMB340.5 million for the year ended December 31, 2022, primarily attributable to our pipeline advancement and resource prioritization.
- **Administrative and selling expenses** excluding the share-based payment expenses decreased by RMB11.6 million from RMB116.5 million for the year ended December 31, 2021 to RMB104.9 million for the year ended December 31, 2022, primarily attributable to the decrease in personnel cost and professional services.
- **Adjusted loss and total comprehensive expenses for the year** excluding the effect of the fair value changes of financial liabilities at fair value through profit or loss from the preferred shares and share-based payment expenses decreased by RMB84.1 million from RMB485.0 million for the year ended December 31, 2021 to RMB400.9 million for the year ended December 31, 2022, primarily due to the increase of CDMO service revenue in 2022 and the losses of financial liabilities at fair value through profit or loss from the preferred shares in 2021.

Business Highlights

SUMMARY

2022 was a productive year for the Company, several significant clinical and regulatory milestones have been achieved that broadened our product portfolio and advanced our pipeline. Our lead asset, the Claudin18.2-targeting antibody osemitamab (TST001), has delivered encouraging clinical efficacy with favorable safety profile in the ongoing Phase Ib chemotherapy combination trial and is now poised for a global Phase III pivotal trial for 1L unresectable locally advanced or metastatic gastric or gastroesophageal junction (G/GEJ) cancer. A proprietary Claudin18.2 companion diagnostic assay has also been developed to support the patient screening for pivotal trial. Pivotal trial material has been manufactured and cleared by regulatory agencies such as U.S. Food and Drug Administration (FDA) and Center for Drug Evaluation (CDE). As a biopharmaceutical company with highly integrated capability and global strategy, we are committed to developing osemitamab (TST001) as the cornerstone of the new treatment paradigm in Claudin18.2 expressing solid tumors including gastric or gastroesophageal junction (G/GEJ) cancer, pancreatic cancer (PDAC) and non-small cell lung cancer (NSCLC). In addition, we have made important progress for other pipeline programs. We completed four dose cohorts evaluation and opened the enrollment at the last and highest dose level cohort for the ongoing global Phase I dose escalation study for TST005. We also completed the enrollment of three dose cohorts, with encouraging bone mineral density (BMD) increasing activity observed for TST002. We received IND clearance for TST003 (anti-gremlin1 antibody) and TST004 (anti-MASP2 antibody). Our research group has also developed multiple novel therapeutic candidates for treating cancer and autoimmune disorders. During 2022, we have established a global clinical collaboration with Bristol Myers Squibb ("BMS") to test the combination treatment of osemitamab (TST001) with Opdivo® (nivolumab) in Claudin18.2 positive 1L unresectable locally advanced or metastatic G/GEJ cancer. We have also received strong interests from MNC and other industry players for collaboration with our pipeline molecules such as osemitamab (TST001), TST002 and TST003. Among the manufacturing milestones we achieved, we have further advanced our continuous bioprocessing platform technology, completed late-stage process development and pivotal trial material production for both internal and external programs and generated significantly increased CDMO business revenue.

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

Business Highlights

CLINICAL PROGRAMS ACHIEVEMENTS

Osemitamab (TST001) (A Humanized ADCC enhanced anti-Claudin18.2 mAb for Solid Tumors)

- In June 2022, clinical data from our lead asset osemitamab (TST001) was presented at the ASCO annual meeting in Chicago. The clinical data for the dose-escalation part of the Phase I study of osemitamab (TST001) in combination with CAPOX as 1L treatment of advanced or metastatic G/GEJ cancer were presented, and tolerability and encouraging preliminary anti-tumor activities have been observed.
- In September 2022, we presented the interim efficacy data from osemitamab (TST001) in combination with chemotherapy at ESMO 2022 meeting. Of the 15 1L locally advanced or metastatic G/GEJ cancer evaluable patients with Claudin18.2 expression, 11 achieved partial response and 4 stable disease.
- In September 2022, we initiated the exploration of several combinations of osemitamab (TST001) with nivolumab in G/GEJ cancer in China: in 1L osemitamab (TST001) with nivolumab and CAPOX; in later lines, osemitamab (TST001) and nivolumab.
- In September 2022, we opened the enrollment of the combination of osemitamab (TST001) and nivolumab for 2L and later G/GEJ adenocarcinoma patients in the U.S.. In November, we added a cohort of osemitamab (TST001) combined with mFOLFOX6 plus nivolumab for 1L G/GEJ adenocarcinomas to the same protocol. Such data will lay the foundation for regulatory interactions with CDE, FDA and the European Medicines Agency (EMA) about our pivotal Phase III trial design.
- In November 2022, we presented the prevalence of Claudin18.2 and PD-L1 Expression in Chinese G/GEJ adenocarcinoma as a poster presentation at the 37th Society for Immunotherapy of Cancer's (SITC) Annual Meeting in Boston, MA, on November 8-12, 2022.

CDX PROGRESS FOR OSEMITAMAB (TST001)

- In 2022, we completed the optimization of the Claudin18.2 IHC assay and we are moving into the CDx kit production and ready to support the pivotal trial for osemitamab (TST001).

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

- In April 2022, the first patient was successfully dosed in China in the Phase I Study of TST002 for the treatment of osteoporosis, leveraging the phase II data generated by our partner, Eli Lilly.
- In December 2022, we completed evaluation of the third dose cohort, opened the fourth one and obtained encouraging BMD increasing activities for early dose cohorts.

TST003 (A First-in-Class Humanized Antibody Candidate)

- In May 2022, in collaboration with researchers at Renji Hospital, Shanghai Jiao Tong University School of Medicine, we published in Nature Cancer the results of preclinical studies of TST003 for the treatment of androgen receptor low/negative castration resistant prostate cancer resistant/refractory to existing therapy.
- In September 2022, we received IND clearance from FDA for TST003.
- In November 2022, we presented preclinical data of TST003 at the 10th TEMTIA meeting in Paris, France.

Business Highlights

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

- In April 2022, we presented TST005, a bifunctional fusion protein of PD-L1/TGF-β, with potent anti-tumor activities and good safety profile as a poster presentation at the AACR annual meeting 2022.
- In November 2022, at SITC, we presented a Trial in Progress (TiP) scientific poster for the phase I, first in human, open-label, TST005 dose escalation and dose expansion study in patients with locally advanced or metastatic solid tumors.
- In December 2022, we completed four dose cohorts evaluation and opened the enrollment at the last and highest dose level cohort for this ongoing global phase I dose escalation study.

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

- In October 2022, we received IND clearance from U.S. Food and Drug Administration (FDA) for TST004.

BUSINESS DEVELOPMENT ACHIEVEMENTS

Osemitamab (TST001) (A Humanized ADCC enhanced anti-Claudin18.2 mAb for Solid Tumors)

- On March 22, 2022, we entered a global clinical trial collaboration with BMS to evaluate the safety, tolerability and efficacy of the combination of osemitamab (TST001) with Opdivo® (nivolumab) for the treatment of patients with Claudin18.2 expressing unresectable locally advanced or metastatic G/GEJ cancer.

TST003 (A First-in-Class Humanized Antibody Candidate)

- In December 2022, we established a collaboration with a prominent research university in the U.S. on further evaluating the potential of Gremlin1 antibody for the treatment of castration-resistant prostate cancer (CRPC).

CMC&CDMO UPDATES

We have improved our Integrated Continuous Bioprocessing ("ICB") platform and expanded our CMC capabilities. Our CMC capabilities has allowed us to support the development of our internal programs and generate income by providing CDMO service to external clients and partners.

Platform technology advancement

- Our platform technology enables us to conduct both fed-batch and continuous bioprocess development and manufacturing for all protein therapeutics. We continues to invest in our ICB platform to increase our competitive edge which allows us to accelerate speed to clinic/market, lower manufacturing risks, ensure drug supply, and significantly lower cost of goods.
- We have continued to improve our upstream process and push the boundary of cell culture productivity. In 2022, we demonstrated industry-leading productivity of > 7 g/L per day in our continuous perfusion platform.

Business Highlights

- Significant progresses have been made in intensifying downstream processing to support highly productive upstream processing. Specifically, in collaboration with Merck KGaA, we completed fabrication and testing of industry-first automated and single-use flow-through polishing continuous downstream technology, and acquired Mobius Multi-Column Chromatography system, another new technology from Merck KGaA in 2022. With both systems being fully operational, downstream processing shall no longer constrain the facility output in our highly efficient T-BLOC facility.
- Expanded DP fill & finish capability in support of internal and external programs.

CMC deliverables and strong supports to internal program

- ICB manufacturing has been implemented for both late-stage and early-stage internal programs. In 2022, we completed the development and optimization of osemitamab (TST001) perfusion-based late-stage manufacturing process and received permission to proceed from CDE and FDA for this process change from fed-batch to continuous perfusion. This process change increased productivity by > 8 folds at commercial production scale. In addition, we have applied perfusion-based processes for TST003 and TST005 Phase I clinical material manufacturing.
- In May 2022, we successfully passed audit by the European Union Qualified Person (QP). This demonstrates the robustness and maturity of the Company's Quality Management System (QMS) to ensure compliance of GMP requirements and the Company is qualified to provide clinical supply materials for clinical studies to be conducted in EU.

CDMO business

- In 2022, we expanded and grew our CDMO service, including addition of new service categories in analytical testing and DP manufacturing. Over 30 new clients have been added and external contract value increased by more than 80% when compared to 2021.
- The increase of our CDMO business benefited from our advanced ICB technology, improved cell line expression system, proprietary cell culture media and extensive experience in customized media development, diversified analytical testing, and an integrated DP fill & finish line.
- Another important driver for our CDMO business growth is that our perfusion-based bioprocessing can lower cost of goods significantly, which is important for countries having pricing and affordability challenges, and our CMC team has extensive experience in late-stage process development to support pivotal trial and BLA filing.

Management Discussion and Analysis

OVERVIEW

We are a clinical stage biopharmaceutical company with fully integrated capacities in discovery, research, development, and manufacturing. With a more diversified portfolio, promising mid-to-late stage registrational assets and a deep early-stage pipeline in a broad range of indications such as oncology, kidney disease, and osteoporosis, we are confident that the Company is well positioned for multiple waves of innovation that will support long-term growth.

We adopt a multi-regional development strategy to maximize operational efficiency and address requirements of multiple regulatory authorities, which will help forge a global commercial pathway for our products. We have an experienced and fully functional team with extensive global clinical research and development capabilities located both in China and the U.S.. This has also given us a first-mover advantage for several of our development programs. In particular, we are one of the leading global players in the emerging Claudin18.2-targeting therapeutic field, a target that is shown to be overexpressed in various solid tumors, and we are committed to developing osemitamab (TST001) as the cornerstone of the future new treatment paradigm in Claudin18.2 expressing solid tumors.

Our proprietary antibody discovery platform, the Immune Tolerance Breaking ("IMTB") technology platform, enables us to generate antibodies that are challenging to discover by using conventional platforms. With this platform technology, we have been expanding our application modality from monoclonal antibody to bispecific antibody and antibody drug conjugate to enrich our pipeline, and most recently to diagnostic antibodies to support precision medicine strategy. With a better understanding of biomarker profiles and a global Companion Diagnostic (CDx) developing strategy, we can also maximize potential trial success by enrolling patients with high probability of benefiting from osemitamab (TST001) treatment. Our fully integrated CMC capabilities can support internal and external programs from IND to Biologics License Application (BLA) filing, and commercial production. With our Integrated Continuous Biomanufacturing (ICB) platform, we continued to achieve speed and high-quality development for all protein therapeutics, including difficult to manufactured proteins, while maintaining world-class productivity, providing high quality CDMO services and generating revenue to sustain our operations.

In addition, with the global rights and commercial potential of our pipeline, we continue to execute our global strategy by establishing partnerships with global and local biopharmaceutical companies as well as academic research institutions.

Management Discussion and Analysis

Our Product Pipeline

We have established a diversified and differentiated pipeline of 13 molecules in oncology, bone disorders and nephrology. Most of antibody candidates were generated in-house by our antibody discovery platform covering validated, partially validated, and novel biological pathways, whereas one pipeline candidate was acquired through in-licensing. The following chart summarizes the drug candidates that are currently under development globally across various therapeutic areas as of the Latest Practicable Date:

Source: Company

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

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

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

Management Discussion and Analysis

BUSINESS REVIEW

We are proud to have developed three best-in-class molecules and two first-in-class molecules that address serious unmet medical needs for patients. Our talented clinical development and regulatory teams with proven ability to execute enabled us to continue to progress our pipeline and invest in future sources of innovation.

During the year of 2022, we have made significant progress with our pipeline assets in both oncology and non-oncology therapeutic areas and achieved multiple clinical and preclinical milestones that are listed as follows:

Oncology Program

Our oncology pipeline includes multiple innovative and differentiated biologic molecules targeting major cancer pathways. Several drug candidates, including osemitamab (TST001), MSB0254, TST003, TST005, TST006, TST010, TST012 and TST013, are designed to target tumors with different mechanisms that are potentially synergistic for tumor indications with high unmet medical needs. Our key oncology candidates include:

- Osemitamab (TST001), our lead asset, is a potential best-in-class and differentiated antibody targeting Claudin18.2, a validated tumor associated antigen in several solid tumors indications, including but not limited to gastric and gastroesophageal cancer. A global Phase III registration study in G/GEJ cancer is planned in the third quarter of 2023 as well as further exploratory trials in several other indications.
- MSB0254 is a high affinity humanized antibody against VEGFR2, with an anti-tumor mechanism of action by inhibiting/normalizing tumor angiogenesis. Phase I study of MSB0254 has been completed and RP2D dose has been determined.
- TST003 is a first-in-class antibody targeting GREMLIN-1. It is currently tested in a global First in Human (FIH) trial.
- TST005 is a bifunctional humanized antibody targeting both PD-1/PD-L1 and TGF-β pathways, the latter being a key MOA for PD-1 resistance. TST005 is currently being tested in a global Phase I study.
- TST006 is a bispecific Claudin18.2-PD-L1 antibody which is currently in preclinical stage.
- TST010 is a newly nominated preclinical antibody candidate entering IND-enabling stage, targeting regulatory T cells to enhance T cell mediated tumor killing.
- TST012 is an ADCC enhanced mAb candidate targeting biomarker expressing gastric cancer and other solid tumors that is at preclinical stage.
- TST013 is an ADC candidate targeting biomarker expressing breast cancer and other solid tumors that is at preclinical stage.

Our broad portfolio also offers opportunities to cover additional unmet medical needs through combinations: for example, TST005, MSB0254, TST003 and TST010 are highly synergistic with osemitamab (TST001) allowing to enhance our Claudin18.2 franchise through combinations with osemitamab (TST001); TST003 and MSB0254 combinations have the potential to offer new therapeutic alternatives for other indications.

Management Discussion and Analysis

Osemitamab (TST001) (A Humanized ADCC-enhanced anti-Claudin 18.2 mAb for Solid Tumors)

Osemitamab (TST001), our lead asset, is a potential best-in-class and ADCC enhanced humanized antibody specifically targeting Claudin18.2 with high-affinity. Claudin 18.2 is overexpressed in multiple tumor type cancers, including gastric/gastroesophageal junction cancer, pancreatic cancer, biliary tract cancer and other types of solid tumors. Osemitamab (TST001) is currently ranked among the top two most advanced clinical programs for Claudin18.2 globally, and the first in China.

Osemitamab (TST001) is currently in Phase II development and is expected to enter Phase III global clinical trials in countries including the United States, Europe, China, and other countries of Asia including Japan in 2023, pending health authority consultations.

We have made significant progress in the year of 2022 in advancing the clinical development for osemitamab (TST001), which includes:

Recent Product Developments and Milestones

- In January 2022, we presented osemitamab (TST001) U.S. Phase I Trial as a Trial-in-Progress poster presentation at the 2022 American Society of Clinical Oncology Gastrointestinal Cancers Symposium from January 20 to January 22, 2022 in San Francisco, CA.
- In February 2022, the first patient successfully dosed in China Phase IIa Study of osemitamab (TST001) combined with Cisplatin and Gemcitabine for the 1L treatment of systemic treatment-naïve locally advanced or metastatic biliary tract cancer patients. Globally we are the first company exploring the potential of Claudin18.2 targeting agent in biliary tract cancer.
- In March 2022, we presented the safety/tolerability and preliminary anti-tumor activity data in gastric and pancreatic cancers of osemitamab (TST001) China phase I clinical trial as a poster presentation at the 2022 International Gastric Cancer Congress (IGCC).
- In March 2022, we also established a global clinical collaboration with BMS to evaluate the combination of osemitamab (TST001) with Opdivo® (nivolumab), BMS's anti-PD-1 therapy, for the treatment of patients with Claudin18.2 expressing unresectable locally advanced or metastatic G/GEJ cancer. Opdivo® is approved globally in the 1L treatment of patients with unresectable locally advanced or metastatic G/GEJ cancer, and is becoming the new standard of care for these patients.
- In April 2022, one of our wholly-owned subsidiaries successfully passed audit of European Union qualified person, and an QP Declaration was issued. The audit is part of the preparation for a global phase III clinical trial application of osemitamab (TST001), which will include EU region, and subsequently for the commercialization of osemitamab (TST001) globally.
- In June 2022, clinical data for the dose-escalation part of the Phase I study of osemitamab (TST001) in combination with CAPOX as the 1L treatment of advanced and metastatic G/GEJ cancer was presented at 2022 ASCO meeting. The data showed that osemitamab (TST001) in combination with CAPOX as 1L treatment of patients with advanced and metastatic G/GEJ cancer is well tolerated and encouraging preliminary anti-tumor activities have been observed.
- In September 2022, we presented the interim efficacy data from osemitamab (TST001) in combination with chemotherapy at ESMO 2022 meeting. Of the 15 1L locally advanced or metastatic G/GEJ cancer evaluable patients with Claudin18.2 expression, 11 achieved partial response and four stable disease.

Management Discussion and Analysis

- In September 2022, we initiated the exploration of several combinations of osemitamab (TST001) with nivolumab in G/GEJ cancer in China: in 1L osemitamab (TST001) with nivolumab and CAPOX; in later line, osemitamab (TST001) and nivolumab.
- In September 2022, we opened the enrollment of the combination of osemitamab (TST001) and nivolumab for 2L and later G/GEJ adenocarcinoma patients in the U.S.. In November, we added a cohort of osemitamab (TST001) combined with mFOLFOX6 plus nivolumab for 1L G/GEJ adenocarcinomas to the same protocol. Such data will lay the foundation for regulatory interactions with CDE, FDA and EMA about our pivotal Phase III trial design.
- In November 2022, we presented a scientific poster related to osemitamab (TST001) at SITC 2022 meeting, regarding the prevalence of Claudin18.2 and PD-L1 Expression in Chinese patients with G/GEJ adenocarcinoma using the Company's proprietary Claudin18.2 specific IHC antibody and a commercial kit for PD-L1 detection. The full text of the poster is available on the Company's website.
- In November 2022, we published the preliminary data from the dose expansion cohort for osemitamab (TST001) in combination with chemotherapy in 1L treatment of locally advanced or metastatic G/GEJ cancer patients with Claudin18.2 expression in Chinese Congress on Oncology (CCO 2022).
- In the year of 2022, we conducted several health authorities consultations with FDA, CDE and other countries for our clinical development programs.

CDx Progress for Osemitamab (TST001)

Recent Product Developments and Milestones

- In the year of 2022, we continued the development of companion diagnostic immunohistochemistry (IHC) assay for identifying patients with Claudin18.2 expression in tumor samples. We completed the optimization of the assay and are moving into the GMP CDx kit manufacturing to support the pivotal trial for osemitamab (TST001) in 2023.

TST003 (A First-in-Class Humanized Antibody Candidate for Solid Tumors)

TST003 is a first-in-class and high affinity humanized monoclonal antibody targeting GREMLIN-1, a regulatory protein that is highly expressed by stromal cells in diverse human carcinomas, especially in esophageal cancer, pancreatic cancer, gastric cancer, colon cancer, lung cancer, breast cancer and prostate cancer.

Recent Product Developments and Milestones

- In May 2022, in collaboration with researchers at Renji Hospital, Shanghai Jiao Tong University School of Medicine, we published in Nature Cancer (https://www.nature.com/articles/s43018-022-00380-3) the results of preclinical studies of TST003 for the treatment of androgen receptor low/negative castration resistant prostate cancer resistant/refractory to existing therapy.
- In June 2022, we completed IND enabling studies for U.S. filing. TST003 has demonstrated significant anti-tumor activities both in vitro and in vivo in preclinical studies, and has the potential to become a first-in-class novel cancer treatment, either as monotherapy or in combination with immune checkpoint inhibitor and/or other anti-tumor agents.
- In August 2022, we submitted U.S. IND application for TST003 and we received clearance from FDA in September.
- In October 2022, we were invited to participate the 10th TEMTIA meeting in Paris, France, from November 7 to 10, 2022. We presented preclinical data of TST003 at the TEMTIA meeting.

Management Discussion and Analysis

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

TST005, one of our key oncology products, is a bi-functional antibody designed to simultaneously target two immunosuppressive pathways, transforming growth factor-β (TGF-β) and programmed cell death ligand-1 (PD-L1), that are commonly used by cancer cells to evade the immune system. TST005 entered clinical development in 2021.

Recent Product Developments and Milestones

- In April 2022, we presented the preclinical data for TST005, a bifunctional fusion protein of PD-L1/TGF-β as a poster presentation at the AACR annual meeting 2022, and demonstrated potent antitumor activities in xenograft models with good safety profiles in GLP toxicology studies.
- In November 2022, at SITC, we have presented a Trial in Progress (TiP) scientific poster for the phase I, first in human, open-label, TST005 dose escalation and dose expansion study in patients with locally advanced or metastatic solid tumors. In December 2022, we completed the 4th dose level evaluation and opened the enrollment at the last and highest dose level cohort for this ongoing global Phase I dose escalation study.

MSB0254 (A Humanized VEGFR-2 mAb Candidate for Solid Tumors)

MSB0254 is a high affinity humanized antibody against VEGFR2, with an anti-tumor mechanism of action by inhibiting tumor angiogenesis. MSB0254 has been generated using our in-house hybridoma platform. VEGFR-2 is overexpressed in neovascular tumor endothelial cells in many tumors in comparison to normal endothelial cells. VEGFR-2 pathway controls vascular permeability, survival and migration of the vascular endothelial cells. VEGFR-2 inhibitors have been shown to be able to inhibit tumor-induced angiogenesis and effectively block tumor growth, and thus may have a potential therapeutic role in multiple tumor types. VEGFR2 inhibitor could be used in combination with the checkpoint inhibitor and targeted therapies such as osemitamab (TST001), TST003 and TST005 to achieve better anti-tumor activities.

Recent Product Developments and Milestones

- In June 2022, we completed the Phase I study and determined RP2D dose for MSB0254. The abstract of MSB0254 Phase I trial data were presented as a poster presentation at the 2022 annual meeting of American Society of Clinical Oncology.
- In June 2022, the Phase I dose escalation study of MSB0254 monotherapy in advanced tumor patients has been completed.

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

MSB2311, is a second-generation PD-L1 inhibitor with unique pH dependent PD-L1 binding property, an important differentiation from other PD-(L)1 antibodies. Please refer to the "Reasons for the Change in Use of Net Proceeds" in this annual report for further details.

Recent Product Developments and Milestones

- In January 2022, the Phase I dose escalation and expansion study of MSB2311 in advanced tumor patients has been completed.

TST010 (T regulatory cell depleting mAb)

TST010 is an ADCC enhanced monoclonal antibody designed for depleting Tumor-infiltrating regulatory T cells (Tregs). Tregs' presence was reported to correlate with tumor progression and a worsening prognosis in many cancers.

Management Discussion and Analysis

Recent Product Developments and Milestones

- In June 2022, we selected final lead molecule for initiating IND enabling study. We demonstrated TST010 displayed potent and selective Treg depleting activity and can liberate T effectors in tumor microenvironment to induce immune mediated killing of cancer cells in preclinical tumor models.

TST006

TST006 is a bi-specific antibody targeting Claudin18.2 and PD-L1, which has the potential for the treatment of Claudin18.2-expressing cancer patients who are resistant to or refractory from Claudin18.2 mAb or PD-1/PD-L1 mAb therapies, such as late-line gastric cancer patients, pancreatic cancer patients and others. As at the Latest Practicable Date, it remains at preclinical stage.

TST012 (ADCC enhanced mAb candidate)

TST012 is an ADCC enhanced mAb candidate targeting biomarker expressing gastric cancer and other solid tumors. As at the Latest Practicable Date, it remains at preclinical stage.

Recent Product Developments and Milestones

- In the year of 2022, we selected the lead antibody for further development. We demonstrated TST012 showed high binding affinity and potent NK cell mediated antibody dependent cellular cytotoxicity in preclinical target positive tumor cells.

TST013 (ADC product candidate)

TST013 is an ADC candidate targeting biomarker expressing breast cancer and other solid tumors. As at the Latest Practicable Date, it remains at preclinical stage.

Recent Product Developments and Milestones

- In the year of 2022, we selected a shortlist of antibodies for initiating ADC discovery and development. TST013 ADC has demonstrated high affinity binding and potent cytotoxicity in preclinical target positive tumor cells.

Non-oncology Program

Our highly differentiated non-oncology pipelines target bone and kidney diseases (TST002, TST004, and TST008, TST801) that have large patient population and high unmet medical needs.

Within our non-oncology pipeline, we have focused on indications with significant market potentials and forming partnerships to accelerate product development. In addition to developing TST002 and TST004 in fast-to-market indications, we are also expanding these two candidates in additional indications with blockbuster potentials and forming partnerships to accelerate the product development. In addition to our current pipeline in IgA nephropathy, we are also developing preclinical candidates with first-in-class multifunctional antibodies for the treatment of systemic lupus erythematosus (SLE), a disease with a large patient population yet very limited treatment option.

Management Discussion and Analysis

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

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

Recent Product Developments and Milestones

- In April 2022, the first patient was successfully dosed in China Phase I Study of TST002 for the treatment of osteoporosis. This Phase I Study of TST002 is a randomized and double-blind, placebo-controlled, single-ascending-dose, multi-center study that is designed to evaluate the safety, tolerability, and pharmacokinetics profile of TST002 as a treatment in patients with osteoporosis. We plan to leverage Eli Lilly's global phase I and phase II clinical data along with our own clinical data and evolving regulatory landscape to support and accelerate TST002's development in China.
- In December 2022, we completed enrollment for the first three dose level cohorts and got encouraging preliminary BMD data.

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

TST004, one of our key products, is a humanized mAb targeting mannan-binding lectin serine protease 2 (MASP2) designed to prevent inflammation and tissue damage mediated by lectin pathway complement activation. It can be potentially applied to multiple MASP2-dependent complement mediated diseases, including IgAN, a highly prevalent chronic kidney disease globally.

Recent Product Developments and Milestones

- In June 2022, we completed IND enabling studies for IND filing in both the U.S. and China. One key differentiation from first generation molecule is that TST004 can be delivered as a subcutaneous injection which will provide significant competitive advantage.
- In June 2022, our poster, TST004, a Humanized IgG4 Anti-MASP2 Antibody, Demonstrates Potent In Vitro/In Vivo Inhibitory Activities on MASP2 Complement Pathway and Excellent Safety Profiles in Non-Human Primate, and the preclinical data of TST004 were selected for presentation at the 2022 ISN Frontiers Meetings of Complement-Related Kidney Diseases in Bergamo, Italy.
- In October 2022, we received IND clearance from U.S. Food and Drug Administration (FDA).

TST008 (A Bispecific Antibody Combining a MASP2 Antibody)

TST008 is a first-in-class bispecific antibody combining MASP2 antibody with another molecule blocking B-cell activation and/or differentiation. As at the Latest Practicable Date, it remains at preclinical stage.

Management Discussion and Analysis

Recent Product Developments and Milestones

- In June 2022, we identified lead molecules for TST008. We demonstrated TST008 simultaneously targets both innate and adaptive immune pathways for a potentially better efficacy for the treatment of Systemic lupus erythematosus (SLE), a complex auto-antibody mediated autoimmune disease with limited treatment option. Current targeted biological therapies for SLE only address the adaptive immune by targeting B-cell pathway.

TST801 (A Bispecific Antibody)

TST801 is a first-in-class bispecific antibody targeting receptors involved in regulating B cell activation and differentiation and is designed for the treatment of SLE, a disease with high unmet medical needs and high prevalence globally. As at the Latest Practicable Date, it remains at preclinical stage.

Recent Product Developments and Milestones

- In the year of 2022, we selected the lead molecule for TST801. We demonstrated that TST801 showed excellent developability profile as well as potent and sustainable inhibition against B cell populations and activation in both *in vitro* and *in vivo* preclinical models.

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

Research and Early Development Efforts

We are dedicated to the discovery and development of differentiated and competitive biologics. Our proprietary antibody discovery platform, Immune Tolerance Breaking ("IMTB") technology platform, enables us to yield candidate antibodies with superior druggability and high commercial potential. We have expanded our discovery pipeline with two new IND-approved programs, which are ready to enter early clinical development by 2023. In addition, we initiated two early-stage programs with intention to develop as ADCC enhanced antibody or antibody drug conjugates (ADC), which provide potential options for GI tract cancer and other tumor types. We have also generated another early-stage program of a bispecific antibody for the treatment of SLE. We take a risk-balanced approach in our R&D efforts, aiming to shape an innovative and risk-balanced drug pipeline covering both oncology and non-oncology disease areas, and such efforts bore fruits in the past years. We are expanding two new non-oncology targets to B cell and/or complement pathways for autoimmune diseases in our early discovery pipeline.

Strategic Partnership to Advance Pipeline

Partnerships and collaborations are essential for maximizing the clinical and commercial potential of our assets, and we attracted interest of global partners with the help of our differentiated or first-in-class molecules. We have established partnerships with BMS for the global clinical trial collaboration of osemitamab (TST001) combination with nivolumab in gastric or gastroesophageal junction cancer (G/GEJ), Eli Lilly & Company for TST002 in Greater China, Alebund Pharmaceuticals for TST004, as well as many research collaborations with prominent academic institutions and industry players around the world, and a technology collaboration with Merck KGaA for downstream processing.

Management Discussion and Analysis

Details of our existing partnerships are shown below.

Osemitamab (TST001)

We aim to develop osemitamab (TST001) as the cornerstone of the future new treatment paradigm in Claudin18.2 expressing solid tumors including gastric or gastroesophageal junction cancers.

On March 22, 2022, we established a global clinical trial collaboration with BMS to evaluate the combination of osemitamab (TST001) with Opdivo® (nivolumab), BMS' anti-PD-1 therapy, for the treatment of patients with unresectable locally advanced or metastatic Claudin18.2 expressing gastric or gastroesophageal junction cancer (G/GEJ) with or without previous treatment. This collaboration includes two global Phase I/II open-label, multi-center studies, one in the U.S. and the other in China. Under the terms of the agreement, we will be the sponsor of the trials and BMS will supply Opdivo for use in combination with osemitamab (TST001).

We have been approached with multiple MNCs on the potential global collaboration of osemitamab (TST001) for Claudin18.2 positive gastric cancer and other solid tumors. Claudin18.2 targeting antibody in combination with chemotherapy has been further validated by Zolbetuximab as an effective treatment option for Claudin18.2 positive 1L gastric cancer, a tumor type with high prevalence globally, in two Phase III trials.

TST002

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

We completed technology transfer, established manufacturing process for Blosozumab (internal project code TST002), and GMP production for clinical use and all the additional preclinical studies required for TST002 IND application in China. We received IND Clearance from CDE in 2021.

On April 28, 2022, the first patient was successfully dosed in China Phase I Study of TST002 for the treatment of osteoporosis. We will use data from this phase I clinical trial and leverage phase II data from the studies completed by Eli Lilly in ex-China regions to support the pivotal study IND application in China. As of December 2022, we have completed the enrollment of third dose cohorts and observed encouraging BMD increasing activity of TST002.

We have also been approached by multiple domestic pharmaceutical companies for the potential collaboration on the development and commercialization of TST002 in Greater China.

TST004

We collaborate with Shanghai Alebund Pharmaceuticals Limited ("Alebund Pharmaceuticals") after establishing an equity joint venture registered under the law of PRC in 2020 to carry out pre-clinical research and conduct clinical trials in Greater China region. Currently, we have completed GMP material productions, in vitro/in vivo product characterization studies, non-GLP tox studies, GLP tox studies and pharmacology studies.

We have obtained IND clearance from the U.S. FDA and is currently working with Alebund Pharmaceuticals on China IND.

Management Discussion and Analysis

Translational Research Collaborations

We also entered multiple research collaborations with prominent academic institutions around the world, including the Dana-Farber Cancer Institute of Harvard Medical School, Beijing Cancer Hospital, Shanghai Pulmonary Hospital, Zhongshan Hospital, Zhongshan University, and Shanghai Jiao Tong University. The research collaborations covered osemitamab (TST001), TST003 and TST005. We also established strategic collaborations with multiple technology platform companies to explore different modalities for innovative targets. These research collaborations further enhanced our global leading position in Claudin18.2 targeted combination therapies and strengthened our oncology programs.

Technology Partnership & Advancement

Our technology partnership strategy is to develop and implement novel bioprocessing technology to increase facility output and dramatically lower cost of goods. We are two and a half years into the multi-year technology collaboration with Merck KGaA to develop novel continuous downstream technology to maximize facility output. We completed the design, fabrication, and delivery of the industry's first automated and single-use flow-through polishing continuous downstream GMP technology in early 2022. We acquired Mobius Multi-Column Chromatography system for integrated product capture, a new technology from Merck KGaA. We continue to work collaboratively and closely with Merck KGaA to evaluate other new technologies we believe has the potential to further upgrade our manufacturing capability and capacity and allow us to establish global leadership position in continuous biomanufacturing platform for protein therapeutics.

Upgrade Manufacturing Technology and Expand Capacity

In the year of 2022, we have made significant progress in developing and implementing novel bioprocessing technologies to enhance our manufacturing capability and capacity.

- ***CMC Advancement*:**
  - In May 2022, we successfully passed audit by the European Union Qualified Person (QP). This demonstrates the robustness and maturity of the Company's Quality Management System (QMS) to ensure compliance of GMP requirements and the Company is qualified to provide clinical supply materials for clinical studies of programs such as osemitamab (TST001) to be conducted in EU.
  - In April and October 2022, we received permission to proceed from CDE and FDA, respectively, for osemitamab (TST001) process change from fed-batch to intensified perfusion process which increased productivity by > 8 folds at commercial production scale.
  - In June 2022, we completed IND enabling CMC data package and dossier for TST003 and TST004.
  - Since the arrival of the automated single-use flow-through polishing technology from Merck KGaA in early 2022, we have completed numerous rigorous testings, the system is now ready for GMP operation, well in advance of osemitamab (TST001) pre-PPQ (Process Performance Qualification) run in 2023.
  - Lastly, our team continues to improve and optimize our perfusion technology. Most recently, the team achieved another industry best productivity of 7 g/L per day.

Management Discussion and Analysis

- ***Capacity Expansion:***
  - The DP Fill & Finish line was put into operation and has the capacity to fill 100,000 vials of finished product per batch. In addition to 2, 6, 10, and 20mL vial sizes, we added 25 and 30mL vial molds in 2022. All vial sizes were configured and qualified providing precise fill volume from 0.4mL/vial to 35mL/vial. The well-established DP line has supported both internal and external programs.
  - The Suzhou facility project has progressed according to the plan. We have completed the design phase of the project.
- ***CDMO Business:***

  In the year of 2022, our external contract value increased more than 80% comparing to the same reporting period in 2021. Our CDMO business unit added a new cell line expression system to provide our clients with lower cost and more robust cell line choices. We started to provide exploratory experimental services for clients seeking Continuous Bioprocessing development in order to attract contract business using our ICB platform. During the Reporting Period, our CDMO business added over 30 new clients in China and the U.S. with expanded service in analytical testing, formulation studies, particle investigation and drug product fills.

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

COVID-19 has not resulted in material negative impacts to our business operations or financial performance for the year ended December 31, 2022. Patient enrollment and follow-up for ongoing clinical trials experienced limited impact in April, May, and December 2022 from COVID-19. To minimize the impact, we have developed and implemented a contingency plan during the pandemic in compliance with Health Authority guidelines and GCP to ensure the study continuity, data completeness and integrity of the Company. This plan includes, among others, referring patients to other hospitals to keep them enrolled and also enrolling new patients to our trials. In addition, we accelerated patient enrolment in our U.S. trials. The management of the Company is striving to keep the impact minimized and committed to execute on our business goals globally despite the continued uncertainty caused by the pandemic.

Management Discussion and Analysis

EVENTS AFTER THE REPORTING PERIOD

Clinical Development

- In January 2023, we presented the design of two cohorts from a Phase I/IIa study of osemitamab (TST001) in combination with Nivolumab plus Capecitabine and Oxaliplatin as first-line or with Nivolumab as late-line treatment in locally advanced and metastatic gastric/gastroesophageal junction (G/GEJ) cancer at ASCO GI 2023.
- In January 2023, we received IND clearance from the Center for Drug Evaluation (CDE) of China's National Medical Products Administration (NMPA) for TST003.
- In January 2023, we completed the dose escalation of TST002 study and successfully enrolled more than 30 patients in total. As of the Latest Practicable Date, we have observed encouraging BMD increasing activity of TST002 with favorable safety profile. In addition, we plan to use the treatment-related change in bone mineral density (BMD) as a surrogate endpoint for fractures in future trials, pending regulatory consultation.
- In March 2023, in collaboration with leading researchers at Beijing Cancer Hospital and other institutes, we published the study results of CLDN18.2-targeting Immuno-PET probe [89Zr]Zr-DFO-TST001 for non-invasive imaging in gastrointestinal tumors on Journal of Pharmaceutical Analysis.
- In March 2023, we dosed our first patient in the dose escalation of TST003 FIH study.
- In March 2023, we filed the supplementary application to current China IND of TST002 for Phase IIa study.
- In March 2023, we completed the enrollment in the dose escalation part of the Phase I study for TST005.
- In March 2023, we received orphan drug designation from the U.S. FDA for the treatment of patients with pancreatic cancer for osemitamab (TST001).

Business Development

- We have initiated partnership discussions with multiple MNCs on the potential global collaboration of osemitamab (TST001) which is planned to enter into Phase III trial for first-line gastric cancer in the third quarter of 2023.

Management Discussion and Analysis

CDMO & CMC

- We started to offer services with new technologies such as media development and conjugation/purification process development for ADC molecules.
- We have completed osemitamab (TST001) process characterization studies, defining process control strategies, and preparing pre-PPQ run using advanced ICB platform. The productivity and efficiency are continuously being improved.

FUTURE OUTLOOK

We expect to advance multiple key pipeline molecule programs and especially to initiate our first global registration trial for osemitamab (TST001). We also strive to establish global collaboration on our leading assets such as osemitamab (TST001) and TST002. We also plan to further advance our CMC platform and grow our CDMO revenue. A detailed breakdown of expected developments for the rest of 2023 is as follows:

Clinical Developments

Osemitamab (TST001)

- We will initiate a global pivotal trial of osemitamab (TST001) for 1L G/GEJ adenocarcinoma patients with Claudin18.2 overexpression. We anticipate submitting pivotal trial declarations with FDA, EMA, CDE and other regions of the world including Japan.
- We will present clinical data at several medical conferences, including AACR, ASCO, ESMO and SITC.
- We will continue and expand explorations in early-stage treatment for G/GEJ cancer as well as several Claudin18.2 expressing solid tumors other than G/GEJ cancer.

TST002 (Blosozumab)

- We anticipate releasing interim data in first half of 2023. We plan to initiate a Phase II study in second half of 2023.

TST003

- We will expand TST003 FIH trial to open enrollment in China and explore combinations, including with our own portfolio. We will present our preclinical data at AACR 2023.

TST004

- We plan to file IND in China.

Management Discussion and Analysis

TST005

- We anticipate to submit/present TST005 dose escalation study data in 2023 ASCO.

TST010

- We will initiate IND-enabling study for TST010. We will present our preclinical data at AACR.

TST012

- We will select the candidate for initiating IND-enabling study for TST012.

TST013

- We will select the candidate for initiating IND-enabling study for TST013.

TST801

- We will select the candidate for initiating IND-enabling study for TST801.

MSB2311

- We proposed to deprioritize MSB2311 due to the overall evolving competitive landscape and substantial price cuts for PD-L1 products resulting from the negotiations and reimbursement from the national medical insurance system, and we will shift the resources to osemitambab (TST001) due to its higher competitive advantage and commercial potentials. MSB2311 will be kept for potential combo studies. Please refer to the "Reasons for the Change in Use of Net Proceeds" in this annual report for further details.

Potential Partnerships

- We expect that further clinical data from our lead asset osemitamab (TST001) will help advance our discussions with MNCs for global partnership of osemitamab (TST001) in Claudin18.2 expressing solid tumors including gastric or gastroesophageal junction (G/GEJ) cancer, pancreatic cancer and NSCLC.
- We will continue partnership discussions for the Greater China rights of clinical asset TST002 to maximize the value of this asset.
- Our first-in-class asset TST003 also attracted interests from MNCs and we are having active conversations with potential partners.
- We are engaging in partnership discussions and seeking global partnership with companies having clinical and commercial expertise in chronic kidney diseases and/or other autoimmune diseases such as systemic lupus erythematosus (SLE) for our pipeline molecules.
- We also continue to work to identify, evaluate and build new technology platforms that can expand our existing antibody discovery capabilities through external collaboration and partnerships.

Management Discussion and Analysis

CMC and Technology Developments

- Complete testing of Merck KGaA's Mobius Multi-Column Chromatography system and implement it together with novel single-use flow-through polishing continuous downstream technology in the upcoming osemitamab (TST001) pre-PPQ run. Generate comprehensive comparability data package in support of PPQ activities in 2024.
- We will continue to improve cell line expression system and perfusion productivity in support of internal and CDMO projects.
- We will scale up perfusion from 300L to 1,000L while continuing to intensify downstream platform and implement key enabling technologies (media concentrates, buffer in-line conditioning) to maximize facility output and dramatically lower cost of goods.
- We will set up infrastructure and capabilities for developing ADC products and lyophilized DP to support internal and CDMO projects.
- We will install second 2,000L single-use bioreactor to increase capacity.
- We plan to further expand our CDMO service leveraging our CMC capabilities, especially providing cell culture media development service for both fedbatch and perfusion processing.

CDMO

- We will continue to strengthen and expand BD activities globally to increase CDMO contracts from both China and U.S. clients.
- We plan to increase our competitiveness by improving operation efficiency, reducing cost, adding new capabilities such as drug product development for mRNA therapeutics, process development for ADC, and media development.
- We will offer more diversified and tailored service from developability assessment, cell line development, media development, process development and optimization, formulation and DP product development, analytical testing as well as integrated service package for IND and BLA filings.
- We aim to increase CDMO project using perfusion process and further establish ourselves as leader in continuous bioprocessing.

Outlook Beyond 2023

We have instilled a global vision from the very beginning. Looking ahead, we aim to continue the expansion of our pipeline by developing one new drug candidate into clinical trials each year. Meanwhile we will keep exploring partnerships to enhance the global development and maximize the commercial value of our drug candidates. We will continue to develop and implement leading technology to improving productivity with lower cost.

We are driven by our vision of providing patients with differentiated and competitive biologics developed through cutting-edge technologies. Leading with our global strategy and vision, we will be able to unlock the full potential of our portfolio and drive long term value creation.

Management Discussion and Analysis

FINANCIAL REVIEW

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Revenue	**101,892**	50,242
Cost of sales	**(82,003)**	(40,874)
Gross profit	**19,889**	9,368
Other income	**46,402**	32,906
Other gains and losses, net	**29,729**	(1,199,972)
Research and development expenses	**(349,781)**	(344,370)
Administrative and selling expenses	**(112,449)**	(145,215)
Listing expenses	**–**	(48,605)
Impairment losses under expected credit loss model	**–**	(1,641)
Share of results of a joint venture	**(23,145)**	(2,952)
Finance costs	**(17,636)**	(15,167)
Loss before tax	**(406,991)**	(1,715,648)
Income tax credit	**246**	105
Loss for the year	**(406,745)**	(1,715,543)
Other comprehensive income for the year		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of a foreign operation	**(10,947)**	1,751
Loss and total comprehensive expenses for the year	**(417,692)**	(1,713,792)
Non-IFRS measure[(Note 1)]:		
Add: Adjusted for share-based compensation expenses and fair value (loss)/gain of financial liabilities at FVTPL	**16,817**	1,228,751
Adjusted loss and total comprehensive expenses for the year	**(400,875)**	(485,041)

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

Management Discussion and Analysis

Selected Data from Statement of Financial Position

AS AT DECEMBER 31, 2022

	At December 31,	
	2022	2021
	RMB'000	RMB'000
	(Audited)	(Audited)
Non-current assets	**1,078,070**	1,149,353
Current assets	**1,056,475**	1,395,602
Total assets	**2,134,545**	2,544,955
Current liabilities	**550,370**	425,810
Non-current liabilities	**110,275**	153,576
Total liabilities	**660,645**	579,386
Net current assets	**506,105**	969,792

1. Revenue

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

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

Disaggregated revenue information:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
CDMO services	**87,949**	44,200
Research and development services	**13,943**	6,042
	101,892	50,242

Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at December 31 2022 and the expected timing of recognising revenue are as follows:

	CDMO services	**Research and development services**
	RMB'000	RMB'000
Within one year	64,030	13,090
More than one year	15,190	–
	79,220	13,090

2. Other Income

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

For the year ended December 31, 2022, other income of our Group increased by RMB13.5 million to RMB46.4 million, from RMB32.9 million for the year ended December 31, 2021. The increase was primarily due to interest income and government grants recognised during the year ended December 31, 2022.

Management Discussion and Analysis

3. Other Gains and Losses, Net

Our other net gains and losses changed from losses of RMB1,200.0 million for the year ended December 31, 2021 to gains of RMB29.7 million for the Reporting Period. The changes were primarily due to losses in fair value of financial liabilities at fair value through profit or loss from the preferred shares issued by the Company in 2021.

4. Research and Development Expenses

Research and development expenses primarily consist of pre-clinical expenses including testing fee and pre-clinical trial expenses, staff cost for our research and development personnel, clinical expenses including testing fee and clinical trial expenses, materials consumed for research and development of our drug candidates, depreciation and amortization expenses and others. The research and development expenses increased by 1.6% from RMB344.4 million for the year ended December 31, 2021 to RMB349.8 million for the year ended December 31, 2022, primarily due to the pipeline advancement in 2022.

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

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Clinical expenses	**151,179**	134,654
Staff cost	**141,560**	94,326
Materials consumed	**12,596**	64,460
Depreciation and amortization expenses	**32,201**	29,488
Others	**12,245**	21,442
Total	**349,781**	344,370

Management Discussion and Analysis

5. *Administrative and Selling Expenses*

Our administrative expenses decreased 22.6% from RMB145.2 million for the year ended December 31, 2021 to RMB112.4 million for the year ended December 31, 2022, primarily due to the decrease in personnel cost and professional services.

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

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

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Salaries and related benefits costs	**51,786**	87,754
Professional fees	**21,567**	17,902
Depreciation and amortization expenses	**11,600**	16,290
Office expenses	**20,252**	13,888
Traveling and transportation expenses	**3,213**	3,734
Others	**4,031**	5,647
	112,449	145,215

Management Discussion and Analysis

6. Trade and Other Receivables

	At December 31,	
	2022	2021
	RMB'000	RMB'000
Trade receivables	**34,012**	2,565
Less: Allowance for credit losses	**–**	–
	34,012	2,565
Other receivables:		
Promissory note receivables	**–**	8,465
Interest receivables	**12,016**	–
Prepayments for:		
Research and development services	**18,719**	24,207
Legal and professional services	**2,083**	1,063
Purchase of raw materials	**2,039**	3,356
Refundable rental deposits	**1,707**	1,316
Others	**754**	3,724
	71,330	44,696
Analyzed as:		
Non-current	**1,707**	1,316
Current	**69,623**	43,380
	71,330	44,696

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

7. Trade and Other Payables

	At December 31,	
	2022	2021
	RMB'000	RMB'000
Trade payables	**48,154**	31,430
Accrued research and development expenses	**51,246**	36,100
Other payables:		
Purchase of property, plant and equipment	**10,520**	2,856
Legal and professional fee	**1,125**	3,435
Others	**7,351**	3,440
Interest payables	**576**	462
Other tax payables	**1,238**	949
Accrued staff costs and benefits	**27,022**	22,389
Other accruals	**1,149**	903
	148,381	101,964

The average credit period on purchases of goods and services of the Group is 30 days.

LISTING EXPENSES

Our listing expenses was nil for the year ended December 31, 2022 and RMB48.6 million for the year ended December 31, 2021 with the progress of our initial public offering.

OTHER COMPREHENSIVE INCOME

Our other comprehensive income was RMB1.8 million for year ended December 31, 2021 and other comprehensive expense as of December 31, 2022 is RMB10.9 million.

Management Discussion and Analysis

NON-IFRS MEASURE

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

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	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Total comprehensive expenses for the year:	**(417,692)**	(1,713,792)
Add:		
Share-based compensation expenses	**16,817**	30,578
Fair value (loss)/gain of financial liabilities at FVTPL	**–**	1,198,173
Sub-total	**16,817**	1,228,751
Adjusted loss and total comprehensive expenses for the year	**(400,875)**	(485,041)

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICIES

The following table sets forth a breakdown of our employees as at December 31, 2022 by function:

	Number of employees	% of total number of employees
Research and Development	172	53.75
General and Administrative	59	18.44
Manufacturing	89	27.81
Total	320	100.00

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

Our employee remuneration comprises salaries, bonuses, social security contributions and other welfare payments. In accordance with applicable Chinese laws, we have made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees.

The Company also has adopted the "Post-IPO Share Award Scheme" and "Pre-IPO Equity Incentive Plan". Please refer to the section headed "Appendix IV Statutory and General Information – D. Share Schemes" in the prospectus of the Company dated September 14, 2021 (the "Prospectus") for further details.

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

LIQUIDITY AND FINANCIAL RESOURCES

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

As of December 31, 2022, bank balances and cash, pledged bank deposits and time deposits were RMB993.4 million, as compared to RMB1,228.1 million as of December 31, 2021. The decrease was mainly due to the operating cashflow out.

Management Discussion and Analysis

GEARING RATIO

The gearing ratio of the Group was calculated using interest-bearing borrowings less cash and cash equivalents divided by (deficiency of) total equity and multiplied by 100%. Since the Group maintained a net cash position as at December 31, 2022 and December 31, 2021, the gearing ratio is not applicable.

OTHER FINANCIAL INFORMATION

Significant Investments, Material Acquisitions and Disposals

The Group did not make any significant investments (including any investment in an investee company with a value of five percent or more of the Group's total assets as at December 31, 2022) during the Reporting Period. The Group did not have any material acquisitions or disposals of subsidiaries, associated companies or joint ventures for the year ended December 31, 2022.

Foreign Exchange Risk

The functional currency of the Company is Renminbi. During the Reporting Period, certain bank balances and cash, trade and other receivables, amounts due from related parties, trade and other payables, financial instrument at financial liabilities at fair value through profit or loss are denominated in U.S. dollars, which are exposed to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Bank Loans and Other Borrowings

As at December 31, 2022, bank borrowings amounting to RMB49,100,000 (2021: RMB105,769,000) and RMB33,000,000 (2021: nil), are secured by property, plant and equipment with carrying amount of RMB106,027,000 (2021: RMB124,841,000). All bank borrowings were denominated in RMB. We had an aggregate of RMB333,600,000 overdrafts with fixed interest rates as at December 31, 2022.

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

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
US$	**–**	–

Pledge of Assets

As at December 31, 2022, the group had a total of RMB106.0 million of property, plant and equipment and RMB41.8 million of pledged bank deposits to secure its loan and banking facilities.

Contingent Liabilities

As at December 31, 2022, the Group did not have any material contingent liabilities.

Report of Directors

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

DIRECTORS

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

Executive Directors:

Dr. Xueming Qian (錢雪明) *(Chief Executive Officer)*
Mr. Xiaolu Weng(翁曉路)*(Chief Financial Officer) (Appointed with effect from March 21, 2022)*
Mr. Albert Da Zhu (朱達) *(Passed away on June 26, 2022)*
Dr. Michael Ming Shi (石明) *(Resigned with effect from July 20, 2022)*

Non-Executive Director:

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

Independent Non-Executive Directors:

Mr. Jiasong Tang (唐稼松)
Dr. Jun Bao (包駿)
Mr. Zhihua Zhang (張志華)
Dr. Kumar Srinivasan *(Appointed with effect from December 19, 2022)*

Biographical details of the Directors are set out in the section headed "Directors and Senior Management" on pages 69 to 73 of this annual report.

GENERAL INFORMATION

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

PRINCIPAL ACTIVITIES

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

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

SUBSIDIARIES

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

Report of Directors

RESULTS

The results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 97 of this annual report.

BUSINESS REVIEW

A business review of the Group, as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a fair review of the Company's business, a description of the principal risks and uncertainties facing the Company, particulars of important events affecting the Company that have occurred since the end of the financial year, an indication of likely future development in the Group's business and an analysis of the Group's financial performance, is set out in the "Business review" and "Management Discussion and Analysis" on pages 11 to 36 of this annual report. All the review, discussions and analysis mentioned above form part of this report of Directors.

An account of the Company's key relationships with its employees, customers and suppliers and others that have a significant impact on the Company and on which the Company's success depends is set out in the "Environmental, Social and Governance Report", which will be published at the same time as the publication of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

In accordance with Rule 13.91 and the Environmental, Social and Governance Reporting Guide contained in Appendix 27 of the Listing Rules applicable to the financial year ended December 31, 2022, the Company's environmental, social and governance report will be available on our website and the website of the Stock Exchange at the same time as the publication of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

Report of Directors

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

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

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

MAJOR CUSTOMERS AND SUPPLIERS

The Group recognizes the importance of maintaining a good relationship with its stakeholders, including Shareholders, employees, suppliers, business partners are key to the Group success. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

Major Customers

During the Reporting Period, the Group derived its revenues from (i) provision of CDMO services; and (ii) research and development services. For the Reporting Period, revenue generated from the five largest customers in the aggregate accounted for approximately 80.7% (2021: 87.8%) of the Group's total revenue and revenue generated from the Group's largest customer for the Reporting Period accounted for approximately 41.0% (2021: 34.5%) of the Group's total revenue amount for the same year.

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

Major Suppliers

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

For the Reporting Period, purchases from the Group's five largest suppliers in the aggregate accounted for approximately 28.7% (2021: 20.6%) of the Group's total purchases in the same year. Purchases from the Group's largest supplier for the Reporting Period accounted for approximately 6.8% (2021: 6.7%) of the Group's total purchases for the same year.

Report of Directors

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

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

FINANCIAL SUMMARY

A summary of the audited consolidated results and the assets and liabilities of the Group for the last four financial years, as extracted from the audited consolidated financial statements, is set out on page 175 of this annual report. This summary does not form part of the audited consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

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

SUBSIDIARIES

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

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL AND SHARES ISSUED

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

DEBENTURE ISSUED

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

EQUITY-LINKED AGREEMENTS

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

Report of Directors

DIVIDEND

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

PERMITTED INDEMNITY

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

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

DISTRIBUTABLE RESERVES

As at December 31, 2022, the Company did not have any reserves available for distribution to Shareholders.

Details of movements in the reserves of the Group and the Company during the Reporting Period are set out in the consolidated statement of changes in equity on page 100 and in note 42 to the consolidated financial statements, respectively.

OVERDRAFTS

Particulars of short-term overdrafts and long-term overdrafts of the Group as at December 31, 2022 are set out in the section headed "Management Discussion and Analysis" in this annual report and note 27 to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

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

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

Report of Directors

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

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

Dr. Kumar Srinivasan has signed an appointment letter with the Company for an initial term of three years from December 19, 2022 and (subject to re-election as and when required under the Articles of Association) may be terminated by giving not less than three months' written notice.

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the note 34 to the consolidated financial statements, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended December 31, 2022.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

The Company has no Controlling Shareholders during the Reporting Period.

MANAGEMENT CONTRACTS

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

Report of Directors

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

As at December 31, 2022, the interests and short positions of the Directors or chief executives of our Company in any of the Shares, underlying Shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which will be required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as contained in Appendix 10 to the Listing Rules were as follows:

Name of Director	Capacity/Nature of interest	Number of ordinary shares	Approximate percentage of holding[1]	Long position/ Short position
Dr. Xueming Qian	Beneficial owner[2], Founder and beneficiary of discretionary trust, Interest in controlled corporation[3]	50,401,694	12.00%	Long position
Dr. Yining (Jonathan) Zhao	Beneficial owner[4], interest in controlled corporation[5]	8,935,760	2.13%	Long position
Mr. Xiaolu Weng	Beneficial owner[6]	4,400,000	1.05%	Long position
Mr. Jiasong Tang	Independent non-executive director[7]	30,000	0.01%	Long position
Mr. Zhihua Zhang	Independent non-executive director[8]	30,000	0.01%	Long position
Dr. Jun Bao	Independent non-executive director[9]	30,000	0.01%	Long position

Notes:

1. The calculation is based on the total number of 419,919,652 Shares in issue as at December 31, 2022.
2. Includes 4,112,000 Shares Dr. Qian holds in his name, 236,164 Shares held by Success Voyage Investment Limited, a British Virgin Islands company wholly-owned by the Success Voyager Trust and is a limited partner of Success Link and Dr. Qian's entitlement to receive up to 400,000 Shares pursuant to the share options granted to him under the Share Incentive Scheme.
3. Includes 23,242,154 Shares held by Qian Dynasty Irrevocable Trust and 22,411,376 Shares held by Shi Dynasty Irrevocable Trust. With regards to the Success Voyager Trust, the beneficiaries are Dr. Qian's children, the trustee is Trident Trust Company (South Dakota) Inc. With regards to the Qian Dynasty Irrevocable Trust, the beneficiaries are Dr. Xueming Qian and his children and their descendants, the investment advisor is Dr. Qian and the trustee is HSBC Trust Company (Delaware) National Association. With regards to the Shi Dynasty Irrevocable Trust, the beneficiaries are Ms. Shi Xiaohong and the child of Ms. Shi and Dr. Qian and his descendants, the investment advisor is Dr. Qian, who can control voting rights attached to the relevant Shares, and the trustee is HSBC Trust Company (Delaware) National Association.
4. Includes 3,840,953 Shares Dr. Yining (Jonathan) Zhao holds in his name in the capacity of a limited partner of Success Link and Dr. Yining (Jonathan) Zhao's entitlement to receive up to 4,000,000 Shares pursuant to the share options granted to him under the Share Incentive Scheme.
5. Includes 1,094,807 Shares held by VI Holding Limited which is wholly-owned by Dr. Yining (Jonathan) Zhao.

Report of Directors

6. Includes Mr. Xiaolu Weng's entitlement to receive up to 4,400,000 Shares pursuant to the RSUs granted to him under the Pre-IPO Equity Incentive Plan.

7. Includes Mr. Jiasong Tang's entitlement to receive up to 30,000 Shares pursuant to the share awards granted to him under the Share Incentive Scheme.

8. Includes Mr. Zhihua Zhang's entitlement to receive up to 30,000 Shares pursuant to the share awards granted to him under the Share Incentive Scheme.

9. Includes Dr. Jun Bao's entitlement to receive up to 30,000 Shares pursuant to the share awards granted to him under the Share Incentive Scheme.

Save as disclosed above, as at December 31, 2022, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations.

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

As at December 31, 2022, so far as the Directors or chief executives are aware, the following persons (other than the Directors or chief executives of the Company) had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to our Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Capacity/Nature of interest	Number of ordinary shares	Approximate percentage of holding[1]	Long position/ Short position/ Lending pool
Dr. Xueming Qian[2]	Beneficial owner; founder and beneficiary of discretionary trust; interest in controlled corporation	50,401,694	12.00%	Long position
HSBC Trust Company (Delaware) National Association[2]	Trustee of discretionary trust	45,653,530	10.87%	Long position
Yi Shi[3]	Interest in controlled corporation	70,536,703	16.80%	Long position
LAV Corporate GP, Ltd.[3]	Interest in controlled corporation	50,566,136	12.04%	Long position
LAV GP III, L.P.[3]	Interest in controlled corporation	50,566,136	12.04%	Long position
LAV Biosciences Fund III, L.P.[3]	Beneficial owner; interest in controlled corporation	33,710,963	8.03%	Long position
LAV Vitality Limited[3]	Beneficial owner	22,388,232	5.33%	Long position
Temasek Holdings (Private) Limited[4]	Interest in controlled corporation	28,086,380	6.69%	Long position

Report of Directors

Name of Shareholder	Capacity/Nature of interest	Number of ordinary shares	Approximate percentage of holding[1]	Long position/ Short position/ Lending pool
Fullerton Management Pte Ltd[4]	Interest in controlled corporation	26,021,880	6.20%	Long position
Temasek Life Sciences Private Limited[4]	Interest in controlled corporation	26,021,880	6.20%	Long position
TLS Beta Pte. Ltd.[4]	Beneficial owner	26,021,880	6.20%	Long position
China Structural Reform Fund Corporation Limited (中國國有企業結構調整基金股份有限公司)[5]	Beneficial owner; interest in controlled corporation	39,421,012	9.39%	Long position
Success Link International L.P.[6]	Beneficial owner	11,636,198	2.77%	Long position

Notes:

1. The calculation is based on the total number of 419,919,652 Shares in issue as at December 31, 2022.

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

   This includes 4,112,000 Shares Dr. Qian holds in his name and his entitlement to receive up to (i) 236,164 Shares held by Success Voyage Investment Limited, a British Virgin Island company wholly-owned by the Success Voyager Trust and is a limited partner of Success Link; (ii) Dr. Qian's entitlement to receive up to 400,000 Shares pursuant to the share options granted to him under the Share Incentive Scheme; and (iii) 23,242,154 Shares held by Qian Dynasty Irrevocable Trust and 22,411,376 Shares held by Shi Dynasty Irrevocable Trust. With regards to the Success Voyager Trust, the beneficiaries are Dr. Qian's children, the trustee is Trident Trust Company (South Dakota) Inc. With regards to the Qian Dynasty Irrevocable Trust, the beneficiaries are Dr. Xueming Qian and his children and their descendants, the investment advisor is Dr. Qian and the trustee is HSBC Trust Company (Delaware) National Association. With regards to the Shi Dynasty Irrevocable Trust, the beneficiaries are Ms. Shi Xiaohong and the child of Ms. Shi and Dr. Qian and his descendants, the investment advisor is Dr. Qian, who can control voting rights attached to the relevant Shares, and the trustee is HSBC Trust Company (Delaware) National Association.

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

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

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

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

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

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

Save as disclosed above, as at December 31, 2022, no persons other than the Directors or chief executives of the Company whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any of Its Associated Corporations" above had any interests or short positions in the Shares or underlying Shares which would fall to be disclosed to our Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO.

EQUITY PLANS

The Company has two existing share schemes, namely the Pre-IPO Equity Incentive Plan and the Share Incentive Scheme. From January 1, 2023, the Company will comply with the new Chapter 17 of the Listing Rules accordingly (effective from January 1, 2023).

21,260,340 new Shares, representing approximately 4.91% of the weighted average of issued ordinary shares of the Company for the year ended December 31, 2022, may be issued in respect of all options and awards granted during the Reporting Period to eligible participants pursuant to the Post-IPO Share Option Scheme and the Share Incentive Scheme (excluding 1,336,360 shares lapsed/cancelled and any award shares that will be satisfied by the existing shares held by trust(s)), of which 1,986,000 underlying new Shares have already been issued as at December 31, 2022.

Report of Directors

Further, details and relevant breakdowns of each of the equity plans are set out below:

1. Pre-IPO Equity Incentive Plan

The Pre-IPO Equity Incentive Plan of the Company was effective since January 1, 2019 and as amended from time to time. The vesting period of the Pre-IPO Equity Incentive Plan generally ranges from 1 to 5 years. The Company will also comply with the applicable rules of the Chapter 17 of the Listing Rules when making future grants under the Pre-IPO Equity Incentive Plan.

Purpose

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

Eligible participants

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

Share Limit

The maximum number of Shares in respect of which Pre-IPO Awards may be granted under this Pre-IPO Equity Incentive Plan shall not exceed 69,325,254 Shares in the aggregate (representing 16.31% of the issued shares of our Company as at the Latest Practicable Date), subject to any adjustments in the event of any alteration in the capital structure of the Company.

As of January 1, 2022, 12,419,643 RSUs were available for grant under the Pre-IPO Equity Incentive Plan. During the Reporting Period, 6,800,000 RSUs were granted to eligible participants pursuant to the Pre-IPO Equity Incentive Plan and 2,133,536 Pre-IPO Options and 1,000,000 RSUs had lapsed in accordance with the rules of the Pre-IPO Equity Incentive Plan. It follows that, as of December 31, 2022, 8,753,179 RSUs were available for grant under the Pre-IPO Equity Incentive Plan.

As of January 1, 2022, 22,661,106 new Shares underlying the outstanding options granted were available for issue under the Pre-IPO Equity Incentive Plan. During the Reporting Period, 205,415 new Shares were issued pursuant to the Pre-IPO Equity Incentive Plan. It follows that, as of December 31, 2022 and the Latest Practicable Date, 22,455,691 new Shares and 22,455,691 new Shares (representing approximately 5.28% of the issued share capital of the Company as of the Latest Practicable Date) were available for issue under the Pre-IPO Equity Incentive Plan, respectively.

Report of Directors

Maximum entitlement of each participant

There is no maximum entitlement of each participant.

Offer and Grant of Pre-IPO Awards

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

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

Vesting Period

The vesting criteria and conditions, and the vesting date are specified in the Offer Letter. Details of the vesting period of individual grants are stated in the table below.

Consideration

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

Price

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

Term of the Pre-IPO Equity Incentive Plan

The term of the Pre-IPO Equity Incentive Plan commenced on January 1, 2019 and will expire on its tenth anniversary. Upon expiry of the Pre-IPO Equity Incentive Plan, no further Pre-IPO Awards will be granted but any Pre-IPO Award that is outstanding shall remain in force according to the terms of the Pre-IPO Equity Incentive Plan and the Pre-IPO Awards shall be exercised or settled in accordance with the terms upon which the Pre-IPO Awards are granted. The remaining life of the Pre-IPO Equity Incentive Plan is approximately 6 years.

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

Report of Directors

Outstanding Pre-IPO Options granted under the Pre-IPO Equity Incentive Plan

The Company has not granted further Pre-IPO Options under the Pre-IPO ESOP after the Listing Date. Details of the movements of the Pre-IPO Options granted under the Pre-IPO Equity Incentive Plan as at December 31, 2022 are as follows.

Name	Date of grant	Vesting period[1]	Exercise price	Outstanding as at January 1, 2022[2]	Exercised during the Reporting Period	Weighted average closing price of Shares immediately before the date of exercise	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Outstanding as at December 31, 2022[2]
Directors									
Albert Da Zhu[3]	September 28, 2016 to November 18, 2020	4 years	Between US$0.0879 per Share to US$1.13 per Share	1,065,780	–	–	–	–	1,065,780
Other grantees in category									
204 Employee Participants in aggregate	Between September 28, 2016 to June 13, 2021	2 to 4 years[4]	Between US$0.001 per Share to US$1.5 per Share	13,919,905	18,000	HK$3.90	2,105,096	–	11,796,809
7 service providers[5] in aggregate	Between September 28, 2016 to June 13, 2021	4 to 5 years	Between US$0.0879 per Share to US$0.4688 per Share	1,096,563	187,415	HK$4.00	28,440	–	880,708
Total				**16,082,248**	**205,415**	**–**	**2,133,536**	**–**	**13,743,297**

Note:

1. The exercise period of the Pre-IPO Options shall be 10 years from the date of grant, subject to the terms of the Pre-IPO Equity Incentive Plan and the Offer Letter.

2. The outstanding calculations exclude Pre-IPO Options where the underlying Shares have been issued to Success Reach International Limited and Success Link International L.P.

Report of Directors

3. Mr. Albert Da Zhu passed away on June 26, 2022.

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

5. The service providers are consultants of the Company who are not employees or former employees of the Group.

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

7. On November 13, 2020, options and awards amounting to an aggregate of 32,840,878 Shares granted to certain participants, including among others Xueming Qian, Michael Ming Shi, Yining (Jonathan) Zhao, Frank Feng Ye, Christopher Hwang, Jerry Xiaoming Yang, Yi Gu and Jane Qin Xia (the "ELP Participants") under the Pre-IPO Equity Incentive Plan were early-exercised, the exercise price of such share options were paid by delivering a promissory note to the Company payable by each of the ELP Participants, and such 32,840,878 shares were transferred to Success Link International L.P. on February 10, 2021 pursuant to the amended and restated exempted limited partnership agreement dated February 8, 2021 for the benefits of ELP Participants. Success Link International L.P. is an exempted limited partnership established for the benefit of the ELP Participants. As certain grantees have indicated to the Company their inability to pay their outstanding monetary obligations under their relevant Promissory Notes, the Company and certain Grantees have entered into the Cancellation Agreements on November 25, 2022 to settle the relevant Promissory Notes. The cancellation of 25,704,680 underlying Shares pursuant to the Cancellation Agreements were completed on December 1, 2022.

Report of Directors

Outstanding RSUs granted under the Pre-IPO Equity Incentive Plan

Details of the movements of the RSUs granted under the Pre-IPO Equity Incentive Plan as at December 31, 2022 are as follows:

Name	Date of grant	Vesting period[1]	Purchase price (per Share)	Performance target	Closing price of Shares immediately before the date of grant	Fair value of RSUs on the date of grant[2]	Unvested RSUs as at January 1, 2022[3]	Granted during the Reporting Period	Vested during the Reporting Period	Weighted average closing price of Shares immediately before the vesting date	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Unvested RSUs as at December 31, 2022[3]
Directors													
Xiaolu Weng	December 19, 2022	850,000 RSUs: immediate effect on the Date of Grant [4]; 2,550,000 RSUs equally in three years installments; 1,000,000 RSUs based on performance targets	US$0.001	1,000,000 RSUs: based on valuation of the Company as set out in the Offer Letter	HK$3.07	US$0.3850	–	4,400,000[4]	850,000[4]	–	–	–	3,550,000
Michael Ming Shi[5]	January 1, 2022	1,000,000 RSUs: vested over 4 years	US$0.001	1,000,00 0 RSUs: based on Clinical Development Progress as set out in the Award Letter	HK$9.20	US$1.1788	–	1,000,000	–	–	1,000,000[5]	–	–
Other grantees in category (other than Directors, chief executive or substantial shareholders of the Company)													
17 Employee Participants in aggregate	August 30, 2022	2,670,000 RSUs: vested over 4 years	US$0.00~0.10		HK$2.96	US$0.3487	–	1,400,000	65,000	HK$3.69	–	–	1,335,000
2 Service Providers in aggregate	June 13, 2021	160,000 RSUs: vested over 4 years	US$0.00		–	US$1.0965	60,000	–	40,000	HK$5.63	–	–	20,000
Total					**-**		**60,000**	**6,800,000**	**955,000**	**-**	**1,000,000**	**-**	**4,905,000**

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Note:

1. The exercise period of the RSUs shall be 10 years from the date of grant, subject to the terms of the Pre-IPO Equity Incentive Plan and the Offer Letter.

2. The fair value of RSUs are calculated in accordance with the accounting standards and policies adopted for preparing the Company's financial statements. The methodology and assumptions used was binominal tree price model. The assumptions include risk free rate and expected volatility.

3. The unvested calculations exclude RSUs where the underlying Shares have been issued to Success Reach International Limited and Success Link International L.P.

4. On December 19, 2022, 4,400,000 RSUs which will be satisfied by existing Shares held by Success Link International L.P. were conditionally granted to Mr. Xiaolu Weng. Such grant was subsequently approved at the Company's extraordinary general meeting on March 9, 2023 and 850,000 of the RSUs granted were deemed to be vested on December 19, 2022 with immediate effect.

5. Dr. Michael Ming Shi resigned as an executive Director of the Company with effect from July 20, 2022.

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

7. On November 13, 2020, options and awards amounting to an aggregate of 32,840,878 Shares granted to certain participants, including among others Xueming Qian, Michael Ming Shi, Yining (Jonathan) Zhao, Frank Feng Ye, Christopher Hwang, Jerry Xiaoming Yang, Yi Gu and Jane Qin Xia (the "ELP Participants") under the Pre-IPO Equity Incentive Plan were early-exercised, the exercise price of such share options were paid by delivering a promissory note to the Company payable by each of the ELP Participants, and such 32,840,878 shares were transferred to Success Link International L.P. on February 10, 2021 pursuant to the amended and restated exempted limited partnership agreement dated February 8, 2021 for the benefits of ELP Participants. Success Link International L.P. is an exempted limited partnership established for the benefit of the ELP Participants. As certain grantees have indicated to the Company their inability to pay their outstanding monetary obligations under their relevant Promissory Notes, the Company and certain grantees have entered into the Cancellation Agreements on November 25, 2022 to settle the relevant Promissory Notes. The cancellation of 25,704,680 underlying Shares pursuant to the Cancellation Agreements were completed on December 1, 2022.

For further details of the RSUs granted under the Pre-IPO Equity Incentive Scheme during the Reporting Period, please refer to the announcements and circular published by the Company on January 1, 2022, December 20, 2022, January 26, 2023, February 16, 2023 and March 9, 2023.

2. *Share Incentive Scheme*

The Share Incentive Scheme was adopted pursuant to the written resolutions of the Shareholders passed on June 18, 2021 and amended on November 4, 2022 (the "**Scheme Amendment**").

Purpose

The purpose of the Share Incentive Scheme are:

(a) to align the interests of Eligible Persons with those of the Group through ownership of Shares, dividends and other distributions paid on Shares and/or the increase in value of the Shares; and

(b) to encourage and retain Eligible Persons to make contributions to the long-term growth and profits of the Group.

Report of Directors

Eligible participants

Any individual, being an Employee (whether full-time or part-time employee), director (including executive directors, non-executive directors and independent non-executive directors) of any member of the Group or any Affiliate (including nominees and/or trustees of any employee benefit trust established for them) (an "**Eligible Person**" and, collectively "**Eligible Persons**"), or Service Provider, who the Scheme Administrator considers, in their sole discretion, to have contributed or will contribute to the Group; however, no individual who is resident in a place where the grant, acceptance or vesting of an Award or Option pursuant to the Scheme is not permitted under the laws and regulations of such place or where, in the view of Scheme Administrator, compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, shall be entitled to participate in the Scheme and such individual shall therefore be excluded from the term Eligible Person.

The Board and the Scheme Administrator may, from time to time, select any Eligible Person to be a Selected Participant and grant an award (which may vest in the form of Award Shares or the Actual Selling Price of the Award Shares in cash) ("**Award(s)**") or option ("**Option(s)**") to such Selected Participant during the effective period of the Share Incentive Scheme.

Maximum number of Awards (either to be satisfied by new Shares or existing Shares) and Options available for grant

The aggregate number of Shares underlying all grants made or to be made pursuant to the Share Incentive Scheme prior to the Scheme Amendment was 42,403,891 (the "**Previous Share Incentive Scheme Limit**"). After the Scheme Amendment, the aggregate number of Shares underlying all grants made or to be made pursuant to the Refreshed Share Incentive Scheme will not exceed 44,551,933 Shares without Shareholders' approval (the "**Refreshed Share Incentive Scheme Limit**").

As of January 1, 2022, 42,403,891 Awards were available for grant under the Previous Share Incentive Scheme Limit. During the Reporting Period, 8,491,520 Awards and 11,705,180 Options were granted to eligible participants pursuant to the Share Incentive Scheme (of which 3,456,360 Awards were granted prior and 5,035,160 Awards were granted after the Scheme Amendment, respectively) and 1,336,360 Awards and nil Options had lapsed in accordance with the rules of the Share Incentive Scheme (of which all lapsed before the Scheme Amendment). It follows that, after the Scheme Amendment, as of December 31, 2022, 23,411,593 Awards or Options (after taking into account the grant of RSUs to Mr. Xiaolu Weng on December 19, 2022, as disclosed in the announcement of the Company dated January 26, 2023) were available for grant under the Share Incentive Scheme pursuant to the Refreshed Share Incentive Scheme Limit.

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Maximum number of new Shares available for issue

The total number of new Shares issued and may be issued pursuant to the Share Incentive Scheme prior to the Scheme Amendment would not exceed 42,403,891 Shares (the "**Previous Share Incentive Scheme Mandate**"). After the Scheme Amendment, the total number of new Shares issued and may be issued pursuant to the Share Incentive Scheme will not exceed 44,551,933 Shares, representing 10% of the Company's issued share capital on the date of the extraordinary general meeting at which the Share Incentive Scheme was approved (the "**Refreshed Share Incentive Scheme Mandate**"). As disclosed in the announcement of the Company published on January 26, 2023, in light of the 7,465,785 Shares held by Success Reach and Success Trust for unspecified participants for future grants under the Pre-IPO Equity Incentive Plan ("**Un-granted Shares**"), such Un-granted Shares will be considered to utilize the Refreshed Share Incentive Mandate and therefore, the total number of new Shares which may be issued pursuant to the Share Incentive Scheme will not exceed 37,086,148 Shares.

As of January 1, 2022, 42,403,891 new Shares were available for issue under the Previous Share Incentive Scheme Mandate. During the Reporting Period, 1,986,000 new Shares were issued pursuant to the Share Incentive Scheme. It follows that, after the Scheme Amendment, as of December 31, 2022 and the Latest Practicable Date, 37,086,148 new Shares and 32,050,988 new Shares (representing approximately 7.54% of the issued share capital of the Company as of the Latest Practicable Date) were available for issue under the Refreshed Share Incentive Scheme Mandate, respectively.

Maximum entitlement of each participant

Under the Share Incentive Scheme, there is no specific limit on the maximum number of shares which may be granted to a single eligible participant.

Granting of Awards

The Board may, from time to time, grant Awards to a selected participant by way of an award letter. The award letter will specify the grant date, the number of Award Shares underlying the Award, the vesting criteria and conditions, the vesting date and such other details as the Board or its delegate(s) may consider necessary.

Each grant of an award to any Director or the chairman of the Company shall be subject to the prior approval of the independent non-executive Directors of the Company (excluding any independent non-executive Director who is a proposed recipient of the grant of an award). The Company will comply with the relevant requirements under Chapter 14A of the Listing Rules for any grant of Shares to connected persons of the Company.

Report of Directors

Option period

An Option may be exercised, which is to be determined and notified by the Scheme Administrator to each grantee at the time of making an Offer, and shall not expire later than ten years from the date of grant.

Vesting Period

The vesting criteria and conditions, and the vesting date as determined by the Board or its delegate will be specified in the option letter and award letter, provided however that the vesting period for Options and Awards shall not be less than 12 months, except that any Options or Awards granted to an employee may be subject to a shorter vesting period, including where:

(a) grants of "make whole" Awards or Options to new employees to replace awards or options such Employees forfeited when leaving their previous employers;

(b) grants to an Employee whose employment is terminated due to death or disability or event of force majeure;

(c) grants of Awards or Options which are subject to the fulfilment of performance targets as determined in the conditions of his/her grant;

(d) grants of Awards or Options the timing of which is determined by administrative or compliance requirements not connected with the performance of the relevant Employee, in which case the Vesting Date may be adjusted to take account of the time from which the Award or Options would have been granted if not for such administrative or compliance requirements;

(e) grants of Awards or Options with a mixed vesting schedule such that the Awards or Options vest evenly over a period of 12 months; or

(f) grants of Awards or Options with a total vesting and holding period of more than 12 months.

Consideration and purchase price

The amounts payable on application or acceptance of the Options or Awards, if any, and the period within which such payments or calls must or may be made or loans for such purposes must be repaid will be set out in the individual Award Letters or Options Letters and will be determined on an individual basis for each Selected Participant by the Scheme Administrator, taking into account the purpose of the Scheme, the interests of the Company and the individual circumstances of each Selected Participant. The Company will generally not provide any loans for such amounts payable unless exceptional circumstances justify the provision of such loans

Exercise price

The Exercise Price shall be such price determined by the Scheme Administrator in their absolute discretion and notified to the Eligible Person in the Offer and shall be no less than the higher of (a) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant; (b) 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; and (c) the nominal value of a Share on the date of grant.

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Term of the Share Incentive Scheme

The Share Incentive Scheme is valid and effective for a period of 10 years commencing from the Listing Date and expiring on September 28, 2031 (after which no further Awards or Options will be granted), and thereafter for so long as there are any non-vested Award Shares or Options granted hereunder prior to the expiration of the Scheme. The remaining life of the Share Incentive Scheme is approximately 8 years.

Further details of the Share Incentive Scheme are set out in the circular published by the Company on October 16, 2022.

Outstanding Options granted under the Share Incentive Scheme

Details of the movements of the Options granted under the Share Incentive Scheme as at December 31, 2022 are as follows:

Name	Date of grant	Vesting period[1]	Exercise price	Performance targets	Closing price of Shares immediately before the date of grant	Fair value of the Options on the date of grant[2]	Outstanding as at January 1, 2022	Granted during the Reporting Period	Exercised during the Reporting Period	Weighted average closing price of Shares immediately before the date of exercise	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Outstanding as at December 31, 2022
Directors, chief executive or substantial shareholder													
Qian Xueming	December 19, 2022	400,000 Options: based on performance targets	HK$3.23	400,000 Options: upon the achievement of performance targets relating to market capitalization and various project milestone achievement on clinical development with respect to certain drug candidates as set out in the relevant grant letter	HK$3.07	US$0.1552	-	400,000	-	-	-	-	400,000

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Name	Date of grant	Vesting period[1]	Exercise price	Performance targets	Closing price of Shares immediately before the date of grant	Fair value of the Options on the date of grant[2]	Outstanding as at January 1, 2022	Granted during the Reporting Period	Exercised during the Reporting Period	Weighted average closing price of Shares immediately before the date of exercise	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Outstanding as at December 31, 2022
Yining (Jonathan) Zhao	December 19, 2022	4,000,000 Options: based on performance targets	HK$3.23	4,000,000 Options: upon the achievement of performance targets relating to various project milestone achievement on clinical development with respect to certain drug candidates as set out in the relevant grant letter	HK$3.07	US$0.1604	-	4,000,000	-	-	-	-	400,000
Other grantees in category (other than Directors, chief executive or substantial shareholders of the Company)													
21 Employee Participants in aggregate	December 19, 2022	2,854,940 Options: over one to four years from the Vesting Commencement Date; 4,450,240 Options: based on performance targets	HK$3.23	4,450,240 Options: upon the achievement of certain performance targets including various project milestone achievements on clinical development, CMC, and partnership as set out in the relevant grant letters	HK$3.07	US$0.1552 ~0.2375	-	7,305,180	-	-	-	-	7,305,180
Total								**11,705,180**	**-**	**-**	**-**	**-**	**11,705,180**

Report of Directors

Note:

1. The exercise period of the Options shall be 10 years from the date of grant, subject to the terms of the Share Incentive Scheme and the relevant grant letter.

2. The fair value of Options are calculated in accordance with the accounting standards and policies adopted for preparing the Company's financial statements. The methodology and assumptions used was binominal tree price model. The assumptions include risk free rate and expected volatility.

For further details of the Options granted under the Share Incentive Scheme during the Reporting Period, please refer to the announcements and circular published by the Company on December 20, 2022, January 26, 2023, February 16, 2023 and March 9, 2023.

Outstanding Awards granted under the Share Incentive Scheme

Details of the movements of the Awards granted under the Share Incentive Scheme as at December 31, 2022 are as follows:

Report of Directors

Name	Date of grant	Vesting period[1]	Purchase price (per Share)	Performance target	Closing price of Shares immediately before the date of grant	Fair value of Awards on the date of grant[2]	Unvested Awards as at January 1, 2022	Granted during the Reporting Period	Vested during the Reporting Period	Weighted average closing price of Shares immediately before the vesting date	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Unvested Awards as at December 31, 2022
Directors, chief executive or substantial shareholder													
Jiasong Tang	December 19, 2022	10,000 Awards: vest with immediate effect on the date of grant[3]; 10,000 Awards: will vest on September 29, 2023[3]; 10,000 Awards: will vest on September 29, 2024	–	–	HK$3.07	US$0.3858	–	30,000	10,000[3]	HK$3.07	–	–	20,000
Jun Bao	December 19, 2022	10,000 Awards: vest with immediate effect on the date of grant[3]; 10,000 Awards: will vest on September 29, 2023[3]; 10,000 Awards: will vest on September 29, 2024	–	–	HK$3.07	US$0.3858	–	30,000	10,000[3]	HK$3.07	–	–	20,000
Zhihua Zhang	December 19, 2022	10,000 Awards: vest with immediate effect on the date of grant[3]; 10,000 Awards: will vest on September 29, 2023[3]; 10,000 Awards: will vest on September 29, 2024	–	–	HK$3.07	US$0.3858	–	30,000	10,000[3]	HK$3.07	–	–	20,000

Report of Directors

Name	Date of grant	Vesting period[1]	Purchase price (per Share)	Performance target	Closing price of Shares immediately before the date of grant	Fair value of Awards on the date of grant[2]	Unvested Awards as at January 1, 2022	Granted during the Reporting Period	Vested during the Reporting Period	Weighted average closing price of Shares immediately before the vesting date	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Unvested Awards as at December 31, 2022
Other grantees in category (other than Directors, chief executive or substantial shareholders of the Company)													
269 Employee Participants in aggregate	April 15, 2022	1,470,360 Awards: will vest over 3 years	-	-	HK$7.15	US$0.9117	-	1,470,360	378,000	HK$3.10	336,360	-	756,000
60 Employee Participants in aggregate	September 1, 2022	1,986,000 Awards will vest over 1 year	-	-	HK$2.9	US$0.3626	-	1,986,000	1,986,000	HK$2.90	-	-	-
89 Employee Participants in aggregate	December 19, 2022	4,645,160 Awards: will vest over 1 to 4 years ; 300,000 Awards based on performance targets	US$0~0.001	300,000 Awards based on performance targets relating to quality and partnership	HK$3.07	US$0.3850~ 0.3858	-	4,945,160	-	-	-	-	4,945,160
Total							**-**	**8,491,520**	**2,394,000**	**-**	**336,360**	**-**	**5,761,160**

Note:

1. The exercise period of the Awards shall be 10 years from the date of grant, subject to the terms of the Share Incentive Scheme and the grant letter.

2. The fair value of Awards are calculated in accordance with the accounting standards and policies adopted for preparing the Company's financial statements. The methodology and assumptions used was binominal tree price model. The assumptions include risk free rate and expected volatility.

Report of Directors

3. Certain portion of the Awards granted to the independent non-executive Directors was vested with immediate effect on the date of grant because the Award grant forms part of their remuneration package and has been approved by the Remuneration Committee, therefore the date of grant would have been earlier if not for certain administrative requirements. This adjustment to the vesting period is permitted by the rules of the Share Incentive Scheme and has been approved by the Remuneration Committee.

For further details of the Awards granted under the Share Incentive Scheme during the Reporting Period, please refer to the announcements and circular published by the Company on December 20, 2022, January 26, 2023, February 16, 2023 and March 9, 2023.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

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

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

In compliance with Rule 3.25 of the Listing Rules and the CG Code as set out in Appendix 14 to the Listing Rules, the Company has established the Remuneration Committee to formulate remuneration policies. The remuneration is determined and recommended based on each Director's and senior management personnel's qualification, position and seniority. As for the independent non-executive Directors, their remuneration is determined by the Board upon recommendation from the Remuneration Committee. The Directors and the senior management personnel are eligible participants of the Pre-IPO Equity Incentive Plan and Share Incentive Scheme. Details of the remuneration of the Directors, senior management and the five highest paid individuals are set out in note 12 and note 34, respectively to the consolidated financial statements.

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

For the Reporting Period, the aggregate amount of remuneration (including basic salaries, housing allowances, other allowances and benefits in kind, contributions to pension plans and discretionary bonuses) for our Directors was approximately RMB16,116,000 (as set out in note 12 to the consolidated financial statements).

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

Report of Directors

CONNECTED TRANSACTIONS

The Directors and key management personnel (the "**Grantees**") of the Group have been granted share options under the Pre-IPO Equity Incentive Plan of the Company and they have issued promissory notes to the Company (the "**Promissory Notes**") to satisfy the unpaid exercise price of their respective share options granted under the Pre-IPO Equity Incentive Plan. Pursuant to the terms of the Promissory Notes, all the Promissory Notes shall be settled on or before December 31, 2022. If any of the relevant Grantees fail to repay the amount due under their respective Promissory Notes when such amount becomes due by December 31, 2022, or upon the termination of their respective employment or service relationship with the Group, the relevant share options will be forfeited and the underlying Shares will be cancelled, and the corresponding amount due under the relevant Promissory Notes will be set-off.

On November 25, 2022, the Company and certain Grantees have entered into the Cancellation Agreements to settle the relevant Promissory Notes as the Grantees have indicated to the Company their inability to pay their outstanding monetary obligations under their relevant Promissory Notes.

Among the Grantees, Xueming Qian is an executive Director and Yining (Jonathan) Zhao is a non-executive Director of the Company, Frank Feng Ye is a director of a subsidiary of the Company, and Michael Ming Shi and Albert Da Zhu were Directors of the Company in the last 12 months. Other than the Connected Grantees, the rest of the Grantees are either current or previous employees of the Group. Save for the Connected Grantees, none of the Grantees are connected persons of the Company or an associate of such person.

The consideration for the Cancellation Agreements, determined and represented by the aggregate outstanding amount due under the Grantees' relevant Promissory Notes as of the date of the Cancellation Agreements, amounted to US$12,389,576.27 (equivalent to approximately HK$96,638,695).

In view of the cancellation of the underlying Shares and Promissory Notes, the Board (including the independent non-executive Directors but excluding Xueming Qian and Yining (Jonathan) Zhao who abstained from voting on resolutions in relation to the Cancellation) considers that the terms of the Cancellation Agreements are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Company, and in the interests of the Company and the Shareholders as a whole.

The cancellation of 25,704,680 underlying Shares pursuant to the Cancellation Agreements were completed on December 1, 2022.

CONTINUING CONNECTED TRANSACTIONS

The Group has not entered into any non-exempt continuing connected transactions from the Listing Date up to December 31, 2022. Details of related party transactions of the Group for the Reporting Period are disclosed in note 34 to the consolidated financial statements, none of which fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules for which disclosure is required. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules for the Reporting Period.

Report of Directors

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

During the Reporting Period and up to the Latest Practicable Date, the Company repurchased a total of 1,899,500 ordinary shares (the "**Shares Repurchased**") of the Company on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") an aggregate consideration of approximately HK$7,255,189. Particulars of the Shares Repurchased are as follows:

Month of Repurchase	No. of Shares Repurchased	Price paid per share		Aggregate Consideration
		Highest	Lowest	
		(HK$)	(HK$)	(HK$)
September	129,500	3.71	2.68	463,915
October	632,500	4.02	3.70	2,459,088
November	967,000	4.05	3.64	3,791,269
December	170,500	3.22	3.00	540,918
Total	**1,899,500**			**7,255,190**

The Shares Repurchased from September 2022 to November 2022 were subsequently cancelled on November 28, 2022. The Shares Repurchased during the period from November 17, 2022 to December 20, 2022 were cancelled on December 30, 2022.

Save as disclosed above and in the "Financial Information" section, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange during the Reporting Period and up to the Latest Practicable Date.

MATERIAL LITIGATION

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

USE OF NET PROCEEDS

With the Shares of the Company listed on the Stock Exchange on September 29, 2021 and based on the Offer Price of HK$16.00 per Offer Share, the net proceeds from the Global Offering were approximately HK$553.4 million (the "**Net Proceeds**"). As disclosed in the "Future Plans and Use of Proceeds" section in the Prospectus, we intended to use 30% of the Net Proceeds, or approximately HK$171.2 million, to fund ongoing and planned clinical trials, preparation for registration filings and potential commercial launches (including sales and marketing) of our core product, MSB2311. On March 30, 2023, the Board has resolved to change the intended use of Net Proceeds and remove the investment from MSB2311 and put them into TST001 (the "**Change in Use of Net Proceeds**") based on the reasons disclosed in the section "Reasons for the Change in Use of Net Proceeds" below. The table below sets out the utilization of Net Proceeds as at December 31, 2022 and the latest change in the applications of the Net Proceeds:

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Use of Net Proceeds	Intended allocation of Net Proceeds as disclosed in the Prospectus		Amount utilized as at December 31, 2021	Unutilized net proceeds as at December 31, 2021	Amount utilized as at December 31, 2022	Unutilized net proceeds as at December 31, 2022	Intended allocation of the remaining Net Proceeds after the Change in Use of Net Proceeds		Expected timeline of full utilization of the unutilized Net Proceeds
	% of net proceeds (approximately)	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	% of net proceeds (approximately)	HK$ million	
1. Research and development of our pipeline product candidates, funding of ongoing and planned clinical and pre-clinical trials, preparation for registration filings and other steps or activities related to the commercialization of our four anchor products as follows:	82%	453.8	–	453.8	–	453.8	82%	453.8	On or before December 31, 2025
(i) fund ongoing and planned clinical trials, preparation for registration filings and potential commercial launches (including sales and marketing) of our core product, MSB2311	30%	166.0	–	166.0	–	166.0	–	–	–
(ii) fund ongoing and planned clinical trials, preparation for registration filings and potential commercial launch (including sales and marketing) of our key product, osemitamab (TST001)	20%	110.7	–	110.7	–	110.7	50%	276.7	On or before December 31, 2025
(iii) fund ongoing and planned clinical trials, preparation for registration filings and potential commercial launch (including sales and marketing) of our key product, TST005	10%	55.3	–	55.3	–	55.3	10%	55.3	On or before December 31, 2025

Report of Directors

Use of Net Proceeds	Intended allocation of Net Proceeds as disclosed in the Prospectus		Amount utilized as at December 31, 2021	Unutilized net proceeds as at December 31, 2021	Amount utilized as at December 31, 2022	Unutilized net proceeds as at December 31, 2022	Intended allocation of the remaining Net Proceeds after the Change in Use of Net Proceeds		Expected timeline of full utilization of the unutilized Net Proceeds
	% of net proceeds (approximately)	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	% of net proceeds (approximately)	HK$ million	
(iv) fund ongoing and planned clinical trials, preparation for registration filings and potential commercial launch (including sales and marketing) of our key product, TST002	10%	55.3	–	55.3	–	55.3	10%	55.3	On or before December 31, 2025
(v) fund ongoing and planned pre-clinical trials and preparation for registration filings of our key product and other pipeline products, including TST004, MSB0254, TST003, TST006 and TST008	12%	66.5	–	66.5	–	66.5	12%	66.5	On or before December 31, 2025
2. Fund the business development for pipeline expansion and technology development, with a focus in oncology assets that have synergy with our current pipeline and promising clinical evidences, and/or technology platforms that can complement our current discovery and development platforms, such as ADC, small molecule targeted therapies, and other advanced new technologies	8%	44.3	–	44.3	–	44.3	8%	44.3	On or before December 31, 2025
3. For general working capital purposes and general operation expenses	10%	55.3	–	55.3	–	55.3	10%	55.3	On or before December 31, 2025
Total	**100%**	**553.4**	**–**	**553.4**	**–**	**553.4**	**–**	**553.4**	

Report of Directors

For detailed description of the intended use of proceeds and the expected timeline, please refer to the section headed "Future plans and use of proceeds" in the Prospectus and "Reasons for the Change in Use of Net Proceeds" in this annual report.

As the Company has several fund sources including previous rounds of fund raising, CDMO business income, government subsidies, and tax refund, as at the Latest Practicable Date, the Net Proceeds had not been utilized since the Listing Date. To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes or if we are unable to put into effect any part of our development plan as intended, we will hold such funds in short-term deposits in authorized banks or financial institutions so long as it is deemed to be in the best interests of the Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules. The aforesaid expected timeline of full utilization of the Net Proceeds is based on the Directors' best estimation barring unforeseen circumstances, and is subject to change in light of future development or any unforeseen circumstances.

REASONS FOR THE CHANGE IN USE OF NET PROCEEDS

The Change in Use of Net Proceeds reflects the change in the Company's business focus and the development of clinical programs. Considering the overall competitive landscape and substantial price cuts for PD-L1 products resulting from the negotiations and reimbursement from the national medical insurance system, as well as our advantage in osemitamab (TST001), one of the globally most advanced investigational humanized monoclonal antibody targeting Claudin18.2 with its huge potential in multiple indications and significant commercial value foresaw, the Company is de-prioritizing MSB2311 and shifting the resources to more valuable business, our leading asset osemitamab (TST001). We proposed to deprioritize MSB2311 for the strategic reasons based on the evolving landscape and pricing situation and focus on osemitambab (TST001) due to its higher competitive advantage and commercial potentials. MSB2311 will not be removed from the portfolio and it will be kept for potential combo studies. In order to improve the return on investments and for the best benefits of the shareholders and the long term growth and value creation of the Company, we are allocating more resources to programs with much higher potential and business value. The Board will closely monitor the utilization of the Net Proceeds. The Board further confirms that there is no material change in the business of the Group as set out in the Prospectus. The Board considers that the Change in Use of Net Proceeds will not have any material adverse impact on the operations of the Group and is in line with our vision and in the best interests of the Company and its shareholders as a whole.

We will gradually utilize the Net Proceeds, in accordance with the Change in Use of Net Proceeds detailed above, by the end of 2025. Save for the Change in Use of Net Proceeds, there is no other change in use of the Net Proceeds.

Report of Directors

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

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

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

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Particulars of the Company's significant events affecting the Company after the year ended December 31, 2022 are set out in the section headed "Management Discussion and Analysis – Events after the Reporting Period" of this report.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

APPRECIATION

The Board would like to express its sincere gratitude to the shareholders, management team, employees, business partners and customers of the Group for their support and contribution to the Group.

By the order of the Board
Xueming Qian
Executive Director and Chief Executive Officer
Hong Kong

Directors and Senior Management

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

DIRECTORS

Executive Directors

Dr. Xueming Qian (錢雪明), Ph.D., aged 55, is an executive Director, our chief executive officer and a member of the nomination committee of our Company. Dr. Qian was appointed as our Director in October 2012 and was re-designated as an executive Director in June 2021. He is also a director of Mabspace Biosciences (Suzhou) Co., Ltd., and HJB (Hangzhou) Co., Ltd. He joined the Company since October 2012.

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

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

Mr. Xiaolu Weng (翁曉路), aged 46, is an executive Director, our executive vice president and chief financial officer. Mr. Weng was appointed as an executive Director in March 2022. He joined the Company since December 2021.

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

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

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

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

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

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

Directors and Senior Management

Non-executive Director

Dr. Yining (Jonathan) Zhao (趙奕寧), Ph.D., aged 51, is the non-executive Director, chairman of the Board and a member of the audit committee of our Company. Dr. Zhao was appointed as our Director in December 2018 and was re-designated as a non-executive Director in June 2021. He joined the Company since January 2016.

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

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

Independent non-executive Directors

Mr. Jiasong Tang (唐稼松), aged 49, was appointed as an independent non-executive Director, chairperson of the audit committee and a member of the remuneration committee of our Company in September 2021.

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

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

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

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

Directors and Senior Management

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

Dr. Jun Bao (包駿), Ph.D., aged 56, was appointed as an independent non-executive Director, chairperson of the remuneration committee and a member of the nomination committee of our Company in September 2021.

He has served as Chief Business Officer of Biotheus Inc since October 2022. He served as president and CEO of Impact Therapeutics from September 2018 to September 2022. He served as director of Shenogen Pharma Group from July 2017 to October 2019, and as senior vice president and chief business officer at Shenogen Pharma Group from May 2013 to September 2018. Dr. Bao was director of worldwide business development and head of China at GlaxoSmithKline from October 2010 to May 2013. Before GlaxoSmithKline, he worked at ICOS Corporation as an associates director of business development from 2005 before joining Onyx Pharmaceuticals, Inc. as a director of corporate development and financial planning in 2006. He worked at Cell Therapeutics as a senior manager of business development with progressive responsibilities from October 2001 to February 2005. Dr. Bao also worked as a finance manager in Procter & Gamble in Cincinnati from July 1999 to September 2001.

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

Mr. Zhihua Zhang (張志華), aged 42, was appointed as an independent non-executive Director, chairperson of the nomination committee and a member of the audit committee and remuneration committee of our Company in September 2021.

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

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

Dr. Kumar Srinivasan, aged 58, was appointed as an independent non-executive Director of our Company, and a member of the nomination committee and a member of the remuneration committee of our Company in December 2022.

Directors and Senior Management

Dr. Srinivasan has been appointed as president and chief executive officer of Wugen, Inc. since March 13, 2023. During 2021 to 2022, Dr. Srinivasan served as the executive vice president and chief business officer of Turning Point Therapeutics (a biopharmaceutical company previously listed on NASDAQ, stock code: TPTX, but was delisted on August 16, 2022 and became a subsidiary company of Bristol Myers Squibb, a pharmaceutical manufacturer listed on the New York Stock Exchange) and was responsible for crafting and leading corporate strategy, licensing, business development and alliance of management activities. Prior to that, Dr. Srinivasan served as the vice president and global head of biopharmaceuticals for AstraZeneca Pharmaceuticals (a subsidiary of AstraZeneca PLC, which was listed on NASDAQ, stock code: ANZ), in which he was responsible for and leading all licensing and business development and alliance management activities across multiple therapy areas for the biopharmaceuticals business unit.

Dr. Srinivasan holds an MBA from the University of Chicago's Booth School of Business in the United States, a Ph.D. degree in organic chemistry from the Case Western Reserve University in the United States and a bachelor and master's degree with concentration in chemistry from the University of Madras in India.

Senior Management

Dr. Xueming Qian (錢雪明), Ph.D., aged 55, is an executive Director, our chief executive officer and a member of the nomination committee. For further details, please see the paragraphs headed "Executive Directors" in "Directors" section.

Dr. Caroline Germa, M.D., aged 51, has served as the Executive Vice President, Global Medicine Development and Chief Medical Officer with effect from August 8, 2022. Dr. Germa is an accomplished medical oncologist and medicine development leader with over 20 years of pharmaceutical experience across the spectrum of drug development, from early clinical trials to late phase and registration. She joined the Company since August 2022.

Prior to joining the Company, Dr. Germa served as the Vice President and Head of the Early Development Clinical Group for AstraZeneca's oncology department. During her time at AstraZeneca, Dr. Germa built an Early Development Clinical Group with over 180 staff and guided the clinical development of the early oncology portfolio. Immediately prior to joining AstraZeneca, she worked for Bristol Myers Squibb ("**BMS**") and served as the Vice President of BMS Oncology and Development Team Lead for a major partnered oncology program.

Before joining BMS, Dr. Germa spent seven years at Novartis, and led the late phase clinical development of multiple key oncology assets, especially the worldwide registration strategy and approval of Ribociclib (CDK4/6 inhibitor – Kisqali®). Earlier in her career, she also worked for Pfizer as its clinical lead for Neratinib (anti-HER2 inhibitor, Nerlynx) as well as Eli Lilly France and Sanofi/Aventis.

Dr. Germa received her MD and Medical Oncologist Degree, as well as Breast Disease and Immunology Master Degrees from Paris and Lille University, France.

Mr. Xiaolu Weng (翁曉路), aged 46, is an executive Director, our executive vice president and chief financial officer. For further details, please see the paragraphs headed "Executive Directors" in "Directors" section.

Dr. Frank Feng Ye, Ph.D., aged 55, has served as our chief operating officer and executive vice president since February 2020. Mr. Ye joined our Group in January 2016 as vice president for quality of a subsidiary of Just Biotherapeutics Asia Inc., and became senior vice president of technical operations of our Company following our acquisition of Just Biotherapeutics Asia Inc. in December 2018.

Directors and Senior Management

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

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

Dr. Christopher Hwang (黃光誠), Ph.D., aged 59, has served as our chief technology officer and executive vice president responsible for technology and platform development and CMC support since February 2019. Dr. Hwang joined our Group in October 2016 as executive vice president of process and product development of a subsidiary of Just Biotherapeutics Asia Inc., and became executive vice president of process and product development of our Company following our acquisition of Just Biotherapeutics Asia Inc. in December 2018.

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

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

Dr. Yi Gu (顧怡), Ph.D., aged 54, joined the Company and has served as our senior vice president and head of research since February 2019.

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

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

Company Secretary

Ms. Leung Kwan Wai (梁君慧) is the company secretary of the Company since June 2021. Ms. Leung is a senior manager of Corporate Services of Tricor Services Limited ("**Tricor**"). Tricor is a global professional services provider specializing in business, corporate and investor services. Ms. Leung has over 15 years of experience in the corporate secretarial and compliance service field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Leung is currently acting as the company secretary or joint company secretary of a few listed companies on The Stock Exchange of Hong Kong Limited. Ms. Leung obtained her master's degree of Corporate Governance from Hong Kong Metropolitan University (formerly 'The Open University of Hong Kong') in November 2013. Ms. Leung is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Chartered Governance Institute (formerly 'The Hong Kong Institute of Chartered Secretaries') and The Chartered Governance Institute (formerly 'The Institute of Chartered Secretaries and Administrators') in the United Kingdom.

CHANGES TO DIRECTORS' INFORMATION

Save as disclosed herein, the Directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules as at the Latest Practicable Date since the last published interim report.

Corporate Governance Report

The Board of Directors is pleased to present the corporate governance report of the Company for the Reporting Period.

CORPORATE GOVERNANCE PRACTICES

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

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

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

During the Reporting Period, the Company has applied the principles of and complied with all the applicable code provisions set out from time to time in the CG Code under Appendix 14 to the Listing Rules, save as disclosed in this annual report.

The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the CG Code, and maintain a high standard of corporate governance practices of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the Directors and they have confirmed that they have complied with the Model Code during the Reporting Period. No incident of non-compliance of the Model Code by the relevant employees has been noted by the Company during the Reporting Period.

CORPORATE CULTURE

The Board has established the Group's purpose, values and strategy, and satisfy itself that these and the Group's culture are aligned. All Directors must act with integrity, lead by example, and promote the desired culture. The Board should instill such culture into the Company and continually reinforces across our Company's values of acting lawfully, ethically and responsibly.

A healthy corporate culture set up by the Group, including integrity and accountability, is vital for the Company to achieve its vision and mission towards sustainable growth. It is the Board's role to foster a corporate culture with core principles to guide the behaviors of its employees, and ensure that the Company's vision, values and business strategies are aligned to it.

Corporate Governance Report

BOARD OF DIRECTORS

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

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

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

BOARD COMPOSITION

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

The composition of the Board is as follows:

Executive Directors

Dr. Xueming Qian (錢雪明) *(Chief Executive Officer)*
Mr. Xiaolu Weng(翁曉路) *(Chief Financial Officer)*

Non-executive Director

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

Independent non-executive Directors

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

The biographical details of the Directors are set out in the section headed "Directors and Senior Management" on pages 69 to 73 of this annual report.

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

BOARD MEETINGS, COMMITTEE MEETINGS AND GENERAL MEETINGS

Pursuant to code provision C.5.1 of the CG Code, Board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communication. The Company had held five Board meetings during the Reporting Period.

Corporate Governance Report

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

	Number of meeting(s) attended/number of meeting(s) held during the Reporting Period				
Name of Directors	**Board meeting(s)**	**Audit Committee meeting(s)**	**Remuneration Committee meeting(s)**	**Nomination Committee meeting(s)**	**General meeting(s)**
Executive Directors:					
Dr. Xueming Qian	5/5	N/A	N/A	2/2	2
Mr. Xiaolu Weng[(1)]	5/5	N/A	N/A	N/A	2
Dr. Michael Ming Shi[(2)]	2/5	N/A	N/A	N/A	1
Mr. Albert Da Zhu[(3)]	1/5	N/A	N/A	N/A	1
Non-executive Director:					
Dr. Yining (Jonathan) Zhao	5/5	3/3	N/A	N/A	2
Independent Non-executive Directors:					
Mr. Jiasong Tang	5/5	3/3	3/3	N/A	2
Dr. Jun Bao	5/5	N/A	3/3	2/2	2
Mr. Zhihua Zhang	5/5	3/3	3/3	2/2	2
Dr. Kumar Srinivasan[(4)]	N/A	N/A	N/A	N/A	N/A

Notes:

1. Mr. Xiaolu Weng was appointed with effect from March 21, 2022.
2. Dr. Michael Ming Shi was resigned with effect from July 20, 2022.
3. Mr. Albert Da Zhu passed away on June 26, 2022.
4. Dr. Kumar Srinivasan was appointed with effect from December 19, 2022.

Pursuant to code provision C.2.7 of the CG Code provides that the Chairman should at least annually hold a meeting with the independent non-executive Directors without the presence of other Directors.

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

Corporate Governance Report

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

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

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

Accordingly, the following Directors, Mr. Xiaolu Weng, Mr. Jiasong Tang, Mr. Zhang Zhihua and Dr. Kumar Srinivasan shall retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

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

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

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

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

Corporate Governance Report

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

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

DIRECTORS' AND OFFICERS' LIABILITIES INSURANCE

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

BOARD COMMITTEES

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

AUDIT COMMITTEE

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

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

The following is a summary of work performed by the Audit Committee during the Reporting Period:

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

Corporate Governance Report

During the Reporting Period, the Audit Committee met three times to review the Company's annual results and annual report for the year ended December 31, 2021 and the interim results and interim report for the six months ended June 30, 2022. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the Reporting Period and has met with the independent auditor, Deloitte Touche Tohmatsu. The Audit Committee considered that the annual results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

REMUNERATION COMMITTEE

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

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

During the Reporting Period, the Remuneration Committee met three times to review to the Board on the remuneration packages of individual executive directors and senior management. The following is a summary of work performed by the Remuneration Committee during the Reporting Period:

- assessed the performance of executive Directors;
- reviewed and made recommendations to the Board on the remuneration package of the individual executive Directors and senior management;
- reviewed and made recommendations to the Board on the remuneration of the non-executive Director;
- reviewed and made recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management;
- reviewed and made recommendations to the Board on the Company's option grant and restricted share unit plan to the key talents in 2022;
- reviewed and approved the grants of options or awards to the directors and senior managers to attract, remunerate, incentivize and reward the key talents, and encourage them to work towards enhancing the value of the Company and its Shares; and
- Reviewed and approved matters relating to share schemes under Chapter 17 of the listing Rules, in particular regarding to vesting period, performance target and clawback mechanism of the grants.

Corporate Governance Report

The Company's remuneration policy is to ensure that the remuneration offered to employees, including Directors and senior management, is based on skill, knowledge, responsibilities and involvement in the Company's affairs.

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

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

	Year ended December 31,	
	2022	2021
	senior management	senior management
HK$500,001 to HK$1,000,000	**1**	–
HK$2,000,001 to HK$2,500,000	**–**	1
HK$2,500,001 to HK$3,000,000	**1**	–
HK$3,000,001 to HK$3,500,000	**1**	1
HK$4,000,001 to HK$4,500,000	**3**	1
HK$4,500,001 to HK$5,000,000	**–**	2
	6	5

NOMINATION COMMITTEE

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

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

During the Reporting Period, the Nomination Committee held two meeting to review the structure, size and composition of the Board and the independence of the independent non-executive Directors and consider the qualifications of the retiring directors standing for election at the forthcoming annual general meeting. The following is a summary of work performed by the Nomination Committee during the Reporting Period:

- disclosed the policy for the nomination of Directors;
- assessed the independence of the independent non-executive Directors;

Corporate Governance Report

- considered and/or made recommendations to the Board on the re-election of directors;
- reviewed the structure, size and composition of the Board; and
- made recommendations to the Board on introducing new senior management.

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

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

BOARD DIVERSITY POLICY

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

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

Going forward, the Company will continue to work on enhancing the gender diversity of the Board. Our nomination committee has identified and recommended at least one female candidates to our Board for its consideration on appointment of a Director. In addition, it is noted that two members of the Group's senior management are female and are included as potential candidates to the Board.

To achieve the aim of gender diversity of the Board, the Company will endeavor to recommend at least one female Director for approval by the Shareholders within three years from the Listing Date. The Nomination Committee will be responsible for identifying suitable female candidates and providing their recommendations to the Board on at least an annual basis. Subject to (i) the Board being satisfied with the background, qualification and experience of the relevant candidate(s) and their potential contributions to the development of the Group, (ii) the Directors fulfilling their fiduciary duties to act in the best interest of our Company and the Shareholders as a whole when making the relevant recommendation(s), and (iii) the Company's prevailing nomination policy, the Board will recommend the female candidate to the Shareholders for appointment as a member of the Board. However, during the financial year ended December 31, 2022, the Nomination Committee had not identified a right candidate according to the Company's nomination policy.

Corporate Governance Report

The Company will also ensure that there is gender diversity when recruiting staff at mid to senior level (with reference to the Diversity Policy) so that it will have a pipeline of female senior management and potential successors to the Board in due time to ensure gender diversity of the Board.

The following table sets out the gender ratio in the workforce of the Group as at the Latest Practicable Date:

	Female	Male
Senior Management	33.33% (2)	66.67% (4)
Other employees	60.45% (188)	39.55% (123)
Overall workforce	59.94% (190)	40.06% (127)

Further details on the gender ratio of the Group together with relevant data can be found in the Environmental, Social and Governance Report of the Company.

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

DIRECTOR NOMINATION POLICY

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

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

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

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

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

Corporate Governance Report

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

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

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

WHISTLEBLOWING POLICY

On June 1, 2021, the Company adopted a whistleblowing policy (the "**Whistleblowing Policy**") and amended the policy on November 24, 2022 in accordance with the code provision D.2.6 of CG Code. The Company has established a whistleblowing policy and system for employees and those who deal with the Company to raise concerns, in confidence and anonymity, with the Audit Committee about possible improprieties in any matter related to the Company.

ANTI-CORRUPTION POLICY

On July 1, 2020, the Company adopted an anti-corruption policy (the "**Anti-corruption Policy**") and amended the policy on November 24, 2022 in accordance with the code provision D.2.7 of CG Code. The Anti-corruption Policy aims to promote and support anti-corruption laws and regulations. The Group was not aware of any material non-compliance with the relevant laws and regulations of bribery, extortion, fraud and money laundering that would have a significant impact on the Group.

BOARD INDEPENDENCE EVALUATION MECHANISM

On November 24, 2022, the Company adopted a board independence evaluation mechanism (the "**Board Independence Evaluation Mechanism**") in accordance with the code provision B.1.4 of CG Code. The Board Independence Evaluation Mechanism sets out the principles and guidelines that the Company intend to ensure independent view and input are available to the board. All Directors have timely access to all relevant information as well as the advice and services of the company secretary and senior management of the Company, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Any Director may seek independent professional advice in appropriate circumstances at the Company's expenses, upon reasonable request made to the Board. During the year ended December 31, 2022, the Board has reviewed the board independence mechanisms and considered that the implementation of the mechanisms was effective.

Corporate Governance Report

CORPORATE GOVERNANCE FUNCTION

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

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

DIVIDEND POLICY

Code provision F.1.1 of the CG Code provides that the issuer should have a policy on payment of dividends and should disclose such policy in the annual report. As the Company was in a loss-making position as at December 31, 2022, it had not implemented such policy for the year ended December 31, 2022. The Company has adopted a dividend policy effective as of March 22, 2022.

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

The Board does not recommend the distribution of a final dividend for the year ended December 31, 2022.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

A statement by the independent auditor of the Company, Deloitte Touche Tohmatsu, about their reporting responsibilities on the consolidated financial statements is included in the Independent Auditor's Report on pages 91 to 96 of this annual report.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Pursuant to code provision C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant.

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

Corporate Governance Report

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

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

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

Name of Directors	Attending training, briefings, seminars, conferences and workshops relevant to the Company's industry and business, director's duties and/or corporate governance	Reading news alerts, newspapers, journals, magazines and publications relevant to the Company's industry and business, director's duties and/or corporate governance
Executive Directors:		
Dr. Xueming Qian	✓	–
Mr. Xiaolu Weng[1]	✓	–
Dr. Michael Ming Shi[2]	✓	–
Mr. Albert Da Zhu[3]	✓	–
Non-executive Director:		
Dr. Yining (Jonathan) Zhao	✓	–
Independent Non-executive Directors:		
Mr. Jiasong Tang	✓	✓
Dr. Jun Bao	✓	–
Mr. Zhihua Zhang	✓	✓
Dr. Kumar Srinivasan[4]	✓	–

Notes:

1. Mr. Xiaolu Weng was appointed with effect from March 21, 2022.
2. Dr. Michael Ming Shi was resigned with effect from July 20, 2022.
3. Mr. Albert Da Zhu passed away on June 26, 2022.
4. Dr. Kumar Srinivasan was appointed with effect from December 19, 2022.

AUDITORS' REMUNERATION

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

Corporate Governance Report

SERVICES RENDERED FOR THE COMPANY

	Fees paid and payable RMB'000	**Total fees paid and payable RMB'000**
Audit service	**2,100**	**1,045**
– Annual audit services	2,100	1,045
Non-audit service	**1,200**	**600**
– Interim review	600	600
– Tax advising services	600	**–**
Total	**3,300**	**1,645**

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

Corporate Governance Report

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

RISK MANAGEMENT

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

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

- Our Board of Directors, assisted by the Audit Committee, monitors and assesses the effectiveness of Company's risk management system, to ensure that the Company's operations are effective and comply with the relevant laws and regulations.
- Our Audit Committee oversees and manages the overall risks associated with our business operations, including (i) reviewing and approving our risk management policy; (ii) discussing with senior management to ensure that effective risk management system is in place; and (iii) evaluating any risk assessments are used to guide internal audit and compliance activities.
- Our Compliance Committee, chaired by the CEO, is responsible for analyzing and managing the risks and threats related to the Company's business operation. It sets out the compliance management principles, as well as the roles and responsibilities of each business area and function regarding risk management, and defines the Company's risk management objectives and risk management process.
- Our audit department is responsible for establishing our risk management system and supervising and evaluating its operations. The results of the assessment and evaluation are reported to the Audit Committee at least twice a year.
- The relevant business areas and functions in our Company, are responsible for implementing our risk management policy and carrying out day-to-day risk management practice. In order to formalize risk management across our Company and set a common level of transparency and risk management performance, the relevant departments are responsible for (i) identifying, measuring and managing risks related to their own operations; (ii) reporting on risk exposures and continuously monitoring the key risks relating to their operation; (iii) implement appropriate risk responses where necessary; and (iv) develop and maintain an appropriate mechanism to facilitate the application of our risk management framework.

Corporate Governance Report

INTERNAL CONTROL

Internal Control is embedded in our Company's risk management system. Internal Control is aimed at ensuring the Company's operations are efficient and reliable and in compliance with statutory regulations. Below is a summary of the internal control policies, measures and procedures we have implemented:

- We have adopted various measures and procedures regarding each aspect of our business operation that covers business and financial reporting processes. The structure of our internal control framework has been defined by using a top-down, risk-based approach. We also periodically review our compliance status with all relevant laws and regulations.
- We have established an audit committee which (i) makes recommendations to our Board on the appointment and removal of external auditors; and (ii) reviews the financial statements and renders advice in respect of financial reporting as well as oversees internal control procedures of our Company.
- We have established a compliance committee that covers all business areas and functions within the Company and enables effective monitoring of different parts of the Group. It forms the basis and sets the tone for the internal control framework. The compliance management system consists of anti-corruption, anti-bribery, reporting and investigation, conflicts of interest, related party transaction, protection of intellectual property, environment, health and safety, etc. We integrate the compliance awareness into employees' daily work to ensure the business is conducted in compliance and effectiveness.
- We provide periodic training about these measures and procedures to our employees as part of our employee training program. Our internal audit department conducts audit field work to monitor the implementation of our internal control corporate policies, reports the weakness identified to our management and audit committee and follows up on the rectification actions.
- We have engaged several PRC law firms, US law firms as well as EU and UK Data Protection Officer to advise us on and keep us abreast with PRC and all the applicable local laws and regulations. We will continue to arrange various trainings from time to time when necessary and/or any appropriate accredited institution to update our directors, senior management, and relevant employees on the latest PRC and applicable local laws and regulations.
- We maintain strict anti-corruption and anti-bribery policies among our employees in our sales and marketing activities and we believe we will therefore be less affected by the increasingly stringent measures taken by the PRC and all the applicable governments to correct corruptive practices in the pharmaceutical industry.

COMPANY SECRETARY

Ms. Leung Kwan Wai of Tricor Services Limited, external service provider, has been engaged by the Company as its Company Secretary. The primary contact person at the Company, whom Ms. Leung can contact, is Ms. Wei Wang, the secretary to the Board and Vice President, Investor Relations & Capital Markets Department of the Company.

During the Review Period, Ms. Leung has taken no less than 15 hours of relevant professional training to update her skills and knowledge.

Corporate Governance Report

SHAREHOLDERS' RIGHTS

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

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

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

PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

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

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

PUTTING FORWARD ENQUIRIES TO THE BOARD

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

CONTACT DETAILS

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

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

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

Corporate Governance Report

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company has in place a shareholders' communication policy which aims at promoting channels for shareholders to communicate their views on various matters affecting the Company and how the Company solicits and understand the views of Shareholders and stakeholders. The Board had reviewed the policy and considered that the implementation of the policy was effective.

The Company has used the following methods to communicate with Shareholders:

- publication of announcements, interim reports and annual reports
- publication of key corporate governance policies on the Company's website
- holding of annual general meeting and other general meetings of the Company

The Company endeavors to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the forthcoming AGM, Directors (or their delegates as appropriate), appropriate management executives and external auditor will use all reasonable endeavors to attend and answer enquiries from the Shareholders.

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

CHANGES IN CONSTITUTIONAL DOCUMENTS

During the Reporting Period, the Company did not make any significant changes to its constitutional documents.

A latest version of the Articles of Association is available on the websites of the Company and the Stock Exchange. Shareholders may refer to the articles of association for further details of the rights of shareholders.

Independent Auditor's Report

Deloitte.

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TO THE SHAREHOLDERS OF TRANSCENTA HOLDING LIMITED

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Transcenta Holding Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 97 to 174, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

Independent Auditor's Report

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter

Cut-off of research and development expenses

As disclosed in consolidated statement of profit or loss and other comprehensive income, the Group incurred significant research and development ("R&D") expenses of RMB349,781,000 for the year ended 31 December 2022. Service fees of approximately RMB51,246,000 were accrued as at 31 December 2022 to outsourced service providers including contract research organisations and clinical trial centres (collectively referred to as the "Outsourced Service Providers") as set out in Note 25 to the consolidated financial statements.

We identified the cut-off of R&D expenses in relation to Outsourced Service Providers as a key audit matter due to its significant amount and risk of not accruing R&D costs incurred for services provided by the Outsourced Service Providers in the appropriate reporting period.

Our procedures in relation to the cut-off of R&D expenses included:

- Obtaining an understanding of key controls, management's basis and assessment in relation to the accrual process of the R&D expenses including service fees incurred to Outsourced Service Providers; and
- Obtaining the list of expenses accrued to the Outsourced Service Providers as of 31 December 2022, on a sample basis, reading the key terms set out in the agreements and verifying the completion status with reference to the progress reported by the representatives of the Outsourced Service Providers, to determine whether the service fees were properly accrued based on the respective contract sums, progress and/or milestones achieved, as appropriate, as of the end of the reporting period.

Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter

Impairment assessment of goodwill

As disclosed in Note 18 to the consolidated financial statements, the Group has a significant goodwill of RMB471,901,000 at 31 December 2022.

The management assessed the impairment of goodwill by estimation of recoverable amount of group of cash-generating units ("Group of CGUs") based on value-in-use ("VIU") calculation. The VIU calculation requires the management to estimate the future cash flows expected to arise from the Group of CGUs and a suitable discount rate. Determination of discounted cash flows involved developing key assumptions, including:

- expected market penetration rate;
- expected success rate of commercialization;
- budgeted gross margin;
- compound annual growth rate within the budget period; and
- pre-tax discount rates.

We identified impairment assessment of goodwill as a key audit matter due to significance of the balance to the consolidated financial statements as a whole, combined with the significant degree of estimations made by the management of the Group associated with the recoverable amounts of the Group of CGUs to which goodwill have been allocated.

Our procedures in relation to the impairment assessment of goodwill included:

- Understanding the key controls over the process performed by the Group's management in relation to the impairment assessment of goodwill and the preparation of the cash flow projections, including the key assumptions and inputs;
- Evaluating the competence, capabilities and objectivity of the management's experts involved in the impairment assessment;
- Evaluating the reasonableness of the key assumptions and inputs including expected success rate of commercialization, budgeted gross margin, compound annual growth rate within the budget period and pre-tax discount rate with reference industry data;
- Engaging our internal valuation expert to evaluate the appropriateness of the valuation technique and methodology; and
- Performing sensitivity analysis on the key assumptions and inputs.

Independent Auditor's Report

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

Independent Auditor's Report

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors of the Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Independent Auditor's Report

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

The engagement partner on the audit resulting in the independent auditor's report is Cheung, Wilfred.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 March 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2022

	NOTES	Year ended 31 December **2022** **RMB'000**	2021 RMB'000
Revenue	5	**101,892**	50,242
Cost of sales		**(82,003)**	(40,874)
Gross profit		**19,889**	9,368
Other income	7	**46,402**	32,906
Other gains and losses, net	8	**29,729**	(1,199,972)
Research and development expenses		**(349,781)**	(344,370)
Administrative and selling expenses		**(112,449)**	(145,215)
Listing expenses		**–**	(48,605)
Impairment losses under expected credit loss model	37	**–**	(1,641)
Share of results of a joint venture	19	**(23,145)**	(2,952)
Finance costs	9	**(17,636)**	(15,167)
Loss before tax	10	**(406,991)**	(1,715,648)
Income tax credit	11	**246**	105
Loss for the year		**(406,745)**	(1,715,543)
Other comprehensive (expense) income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of a foreign operation		**(10,947)**	1,751
		(417,692)	(1,713,792)
Loss for the year attributable to:			
– Owners of the Company		**(406,745)**	(1,715,543)
Total comprehensive expense for the year attributable to:			
– Owners of the Company		**(417,692)**	(1,713,792)
Loss per share			
– Basic and diluted (RMB)	13	**(0.94)**	(9.34)

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2022

	NOTES	At 31 December 2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment	15	**418,992**	435,103
Intangible assets	16	**95,996**	96,135
Right-of-use assets	17	**31,302**	38,057
Goodwill	18	**471,901**	471,901
Interests in a joint venture	19	**1,219**	24,364
Value-added-tax ("VAT") recoverable		**–**	64,647
Deposits paid for acquisition of property, plant and equipment		**6,673**	11,719
Other receivables	21	**1,707**	1,316
Time deposits	24	**50,000**	–
Pledged bank deposits	24	**280**	6,111
		1,078,070	1,149,353
Current assets			
Inventories	20	**20,566**	20,792
Trade and other receivables	21	**69,623**	43,380
Contract costs	22	**17,636**	33,275
Amounts due from related parties	23	**–**	76,129
VAT recoverable		**5,564**	–
Pledged bank deposits	24	**47,636**	–
Bank balances and cash	24	**895,450**	1,222,026
		1,056,475	1,395,602
Current liabilities			
Trade and other payables	25	**148,381**	101,964
Amount due to a director	23	**–**	268
Contract liabilities	26	**1,146**	35,967
Short-term overdrafts	27	**387,600**	273,339
Lease liabilities	28	**5,243**	6,272
Deferred income	29	**8,000**	8,000
		550,370	425,810
Net current assets		**506,105**	969,792
Total assets less current liabilities		**1,584,175**	2,119,145

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2022

	NOTES	At 31 December **2022** **RMB'000**	2021 RMB'000
Non-current liabilities			
Long-term overdrafts	27	**16,000**	77,390
Lease liabilities	28	**2,617**	7,710
Deferred income	29	**66,300**	42,868
Deferred tax liabilities	31	**25,358**	25,608
		110,275	153,576
Net assets		**1,473,900**	1,965,569
Capital and reserves			
Share capital	32	**272**	291
Treasury shares		**(9)**	(7)
Reserves		**1,473,637**	1,965,285
Total equity		**1,473,900**	1,965,569

The consolidate financial statements on pages 97 to 174 were approved and authorised for issue by the board of directors on 30 March 2023 and signed on its behalf by:

Qian Xueming
Director

Weng Xiaolu
Director

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2022

	Attributable to owners of the Company							
	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Other reserves RMB'000 (Note)	Share-based payment reserves RMB'000	Accumulated losses RMB'000	Translation reserves RMB'000	Total RMB'000
At 1 January 2021	66	289,770	–	(231,245)	46,089	(924,261)	3,336	(816,245)
Loss and total comprehensive expenses for the year	–	–	–	–	–	(1,715,543)	1,751	(1,713,792)
Recognition of equity-settled share-based payment (Note 33)	–	–	–	–	30,578	–	–	30,578
Exercise of share options	-*	2,256	–	–	(2,007)	–	–	249
Issuance of treasury shares (Note 32)	5	–	(5)	–	–	–	–	–
Issuance of shares hold on trust (Note 32)	2	–	(2)	–	–	–	–	–
Automatic conversion of Preferred Shares upon initial public offering ("IPO")	192	3,950,506	–	–	–	–	–	3,950,698
Issue of new shares pursuant to IPO	26	536,008	–	–	–	–	–	536,034
Transaction costs attributable to issuance of new shares	–	(21,953)	–	–	–	–	–	(21,953)
At 31 December 2021	291	4,756,587	(7)	(231,245)	74,660	(2,639,804)	5,087	1,965,569
Loss and total comprehensive expenses for the year	**–**	**–**	**–**	**–**	**–**	**(406,745)**	**(10,947)**	**(417,692)**
Recognition of equity-settled share-based payment (Note 33)	**–**	**–**	**–**	**–**	**16,817**	**–**	**–**	**16,817**
Shares repurchased and cancellation of shares repurchased (Note 32)	**(1)**	**(6,614)**	**(1)**	**–**	**–**	**–**	**–**	**(6,616)**
Issuance of shares hold on trust (Note 32)	**1**	**–**	**(1)**	**–**	**–**	**–**	**–**	**–**
Cancellation of shares in relation to promissory note settlement (Note 32)	**(19)**	**(84,442)**	**–**	**–**	**–**	**–**	**–**	**(84,461)**
Exercise of share options	**-***	**452**	**–**	**–**	**(169)**	**–**	**–**	**283**
At 31 December 2022	**272**	**4,665,983**	**(9)**	**(231,245)**	**91,308**	**(3,046,549)**	**(5,860)**	**1,473,900**

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

* Amount is less than RMB1,000.

** English names are for identification only.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2022

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
OPERATING ACTIVITIES		
Loss before tax	**(406,991)**	(1,715,648)
Adjustments for:		
Interest on bank borrowings	**17,155**	14,665
Interest on lease liabilities	**481**	502
Bank interest income	**(23,829)**	(4,587)
Promissory note interest income	**(163)**	(3,202)
Share of loss of a joint venture	**23,145**	2,952
Depreciation of property, plant and equipment	**48,324**	46,757
Depreciation of right-of-use assets	**6,775**	5,312
Amortisation of intangible assets	**168**	412
Amortisation of deferred income	**(8,000)**	(8,000)
Impairment losses under expected credit loss model	**–**	1,641
Loss arising on revision of interest rate of promissory note receivables	**3,299**	–
Net foreign exchange (gain) loss	**(63,142)**	18,389
Loss on disposal of property, plant and equipment	**51**	37
Gain on disposal of right-of-use assets	**(6)**	–
Share-based payment expenses	**16,817**	30,578
Fair value change at financial liabilities at fair value through profit or loss ("FVTPL")	**–**	1,198,173
Gain on deemed disposal of interests in a joint venture	**–**	(26,816)
Operating cash flow before movements in working capital	**(385,916)**	(438,835)
Increase in trade and other receivables	**(22,692)**	(7,503)
Decrease (increase) in inventories	**226**	(12,891)
Decrease in contract costs	**18,733**	10,129
Decrease (increase) in VAT recoverable	**59,083**	(1,693)
Increase in trade and other payables	**38,420**	35,425
(Decrease) increase in amount due to a director	**(268)**	268
Increase in deferred income	**31,432**	1,668
(Decrease) increase in contract liabilities	**(34,821)**	28,938
Cash used in operations	**(295,803)**	(384,494)
Income tax paid	**(4)**	(5)
NET CASH USED IN OPERATING ACTIVITIES	**(295,807)**	(384,499)

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2022

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
INVESTING ACTIVITIES		
Interest received from banks	**11,813**	4,818
Purchase of and deposits paid for property, plant and equipment	**(22,184)**	(54,616)
Payment for right-of-use assets	**–**	(17,915)
Payment of rental deposits	**(527)**	(957)
Refund of rental deposits	**136**	228
Purchase of intangible assets	**(40)**	(810)
Placement of pledged bank deposits	**(41,805)**	(17)
Placement of time deposits	**(50,000)**	–
Investment in a joint venture	**–**	(500)
NET CASH USED IN INVESTING ACTIVITIES	**(102,607)**	(69,769)
FINANCING ACTIVITIES		
New bank borrowings raised	**352,034**	247,949
Repayment of bank borrowings	**(299,163)**	(134,098)
Repayments of lease liabilities	**(7,070)**	(5,688)
Proceeds from issuance of Preferred Shares	**–**	278,292
Transaction costs attributable to issuance of Preferred Shares	**–**	(7,019)
Payment on repurchase and cancellation of ordinary shares	**(6,616)**	–
Cash received from settlement of promissory note receivables	**4,077**	–
Receipt of proceeds in connection to exercise of share options	**502**	340
Issuance of ordinary shares	**–**	536,034
Issue costs paid	**–**	(21,393)
Interest paid	**(17,041)**	(14,705)
NET CASH FROM FINANCING ACTIVITIES	**26,723**	879,712
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(371,691)**	425,444
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR, REPRESENTING BY BANK BALANCES AND CASH	**1,222,026**	813,592
Effects of exchange rate changes	**45,115**	(17,010)
CASH AND CASH EQUIVALENTS AT THE END OF YEAR, REPRESENTING BY BANK BALANCES AND CASH	**895,450**	1,222,026

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

1. GENERAL INFORMATION

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

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

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

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

Amendments to IFRSs that are mandatorily effective for the current year

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

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRS Standards	Annual Improvements to IFRSs 2018-2020

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1	Non-current Liabilities with Covenants[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1. Effective for annual periods beginning on or after 1 January 2023.
2. Effective for annual periods beginning on or after a date to be determined.
3. Effective for annual periods beginning on or after 1 January 2024.

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

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

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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

Amendments to *IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction* *(Continued)*

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. As at 31 December 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to RMB7,437,000 (2021: RMB13,141,000) and RMB7,860,000 (2021: RMB13,982,000), respectively. Upon the application of the amendments, there is no impact on the opening balance of accumulated losses.

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

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

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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

Goodwill

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

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

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

Investment in a joint venture

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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

Investment in a joint venture (Continued)

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

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

Changes in the Group's interests in a joint venture

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

Revenue from contracts with customers

The Group recognizes 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 customer.

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

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

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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

Revenue from contracts with customers *(Continued)*

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

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

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

Principal versus agent

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

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

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

Contract costs

Costs to fulfill a contract

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

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

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

(c) the costs are expected to be recovered.

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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

Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

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

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

Short-term leases and leases of low-value assets

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

Right-of-use assets

The cost of right-of-use assets includes:

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

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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

Leases *(Continued)*

The Group as a lessee (Continued)

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

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

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

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

Lease modifications

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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

Leases (Continued)

The Group as a lessee (Continued)

Lease modifications *(Continued)*

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

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

Foreign currencies

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

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

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

Borrowing costs

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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

Government grants

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

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

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

Retirement benefit costs

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

A subsidiary in the United States of America (the "USA") adopted a qualified defined contribution plan covering all its eligible employees. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended. Employees become eligible to participate in the plan on the first of the calendar month following the date the employee meets the eligibility requirements as defined. As defined by the plan, participants may contribute up to United States dollar ("US$") 20,500 of pretax annual compensation. Participants who reach age 50 may elect to make catch-up contributions US$6,500. The subsidiary contributes matching contribution of 3% of each eligible participant's compensation. When a participant terminates, the non-vested portion of her/his account is treated as a forfeiture and can be used to reduce the Group's Non-Elective Contributions. No forfeited non-vested accounts were used to reduce the Group contribution during the year ended December 31, 2022.

Short-term employee benefits

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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

Equity-settled share-based payment transactions

Shares/Share options granted to employees

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

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

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

Taxation

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

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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

Taxation (Continued)

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

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

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

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

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

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

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

Property, plant and equipment

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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

Property, plant and equipment (Continued)

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

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

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

Intangible assets

Intangible assets acquired separately

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

Internally-generated intangible assets-research and development expenditure

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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

Intangible assets (Continued)

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

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

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

Intangible assets acquired in a business combination

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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

Cash and cash equivalents

Bank balances and cash presented on the consolidated statement of financial position include:

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

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

Inventories

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

Financial instruments

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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

Financial instruments *(Continued)*

Financial assets

Classification and subsequent measurement of financial assets

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

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

All other financial assets are subsequently measured at fair value.

Amortised cost and interest income

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

Impairment of financial assets

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

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets *(Continued)*

(i) Significant increase in credit risk

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

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

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets *(Continued)*

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

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

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

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

(iv) Write-off policy

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets *(Continued)*

(v) Measurement and recognition of ECL

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

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

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

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

Derecognition/modification of financial assets

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

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

A modification of a financial asset occurs if the contractual cash flows are renegotiated or otherwise modified.

When the contractual terms of a financial asset are modified, the Group assesses whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset.

Financial liabilities and equity

Classification as debt or equity

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Equity instruments

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

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

Financial liabilities

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

Financial liabilities at FVTPL

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

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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

Financial instruments *(Continued)*

Financial liabilities and equity (Continued)

Financial liabilities *(Continued)*

Financial liabilities at amortised cost

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

Foreign exchange gains and losses

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

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

Derecognition of financial liabilities

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

Offsetting a financial asset and a financial liability

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgments in applying accounting policies

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

Research and development expenses

Development expenses incurred on the Group's drug product pipelines are capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, the Group's intention to complete and the Group's ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Development expenses which do not meet these criteria are expensed when incurred. Management assesses the progress of each of the research and development projects and determine whether the criteria are met for capitalization. During the year ended 31 December 2022, all research and development costs are expensed when incurred.

Key sources of estimation uncertainty

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

Estimated impairment of goodwill and intangible assets not ready for use

Goodwill and intangible assets not ready for use are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. The Group obtained in-licenses and in process research and development project ("IPR&D") through separate acquisition or business combination to continue research and development work and commercialize the products, which are classified as intangible assets not ready for use.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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

Key sources of estimation uncertainty *(Continued)*

Estimated impairment of goodwill and intangible assets not ready for use (Continued)

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

As at 31 December 2022, the carrying amount of goodwill is RMB471,901,000 (2021: RMB471,901,000). No impairment loss is recognised for the year ended 31 December 2022 (2021: nil). Details of the recoverable amount calculation are disclosed in Note 18.

As at 31 December 2022, the carrying amount of intangible assets not ready for use is RMB95,433,000 (2021: RMB95,433,000). No impairment loss is recognised for the year ended 31 December 2022 (2021: nil). Details of the recoverable amount calculation are disclosed in Note 16.

5. REVENUE

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

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

The Group's service contracts normally include payment schedules which require stage payments over the service period once certain specified milestones are reached. The Group requires certain customers to provide upfront deposits range from 10% to 30% of total contract sum as part of its credit risk management policies.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

5. REVENUE *(Continued)*

Disaggregated revenue information:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
CDMO services	**87,949**	44,200
Research and development services	**13,943**	6,042
	101,892	50,242

Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2022 and the expected timing of recognising revenue are as follows:

	CDMO services	**Research and development services**
	RMB'000	**RMB'000**
Within one year	**64,030**	**13,090**
More than one year	**15,190**	**–**
	79,220	**13,090**

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2021 and the expected timing of recognising revenue are as follows:

	CDMO services	Research and development services
	RMB'000	RMB'000
Within one year	20,101	13,943
More than one year	26,498	13,090
	46,559	27,033

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

6. SEGMENT INFORMATION

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

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

Geographical information

The Group's operations are located in the People's Republic of China (the "PRC") and the USA.

All the Group's revenue from external customers is derived from the PRC. As at 31 December 2022, non-current assets of RMB339,000 (2021: RMB746,000) are located in the USA. The remaining non-current assets are all located in the PRC.

Information about major customers

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Customer A	**41,809**	6,042
Customer B	**20,651**	–
Customer C	**N/A**	12,774
Customer D	**N/A**	17,346

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

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FOR THE YEAR ENDED 31 DECEMBER 2022

7. OTHER INCOME

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Bank interest income	**23,829**	4,587
Promissory note interest income	**163**	3,202
Government grants (note)	**20,683**	24,975
Others	**1,727**	142
	46,402	32,906

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

8. OTHER GAINS AND LOSSES, NET

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Gain on deemed disposal of interests in a joint venture (Note 19)	**–**	26,816
Net foreign exchange gain (loss)	**33,073**	(28,516)
Fair value change of financial liabilities at FVTPL (Note 30)	**–**	(1,198,173)
Loss on disposal of property, plant and equipment	**(51)**	(37)
Loss arising on revision of interest rate of promissory note receivables	**(3,299)**	–
Gain on disposal of right-of-use assets	**6**	–
Others	**–**	(62)
	29,729	(1,199,972)

9. FINANCE COSTS

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Interest expenses on bank borrowings	**17,155**	14,665
Interest expenses on lease liabilities	**481**	502
	17,636	15,167

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10. LOSS BEFORE TAX

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Loss before tax for the year has been arrived at after charging:		
Selling expenses (included in administrative and selling expenses)	**811**	573
Depreciation of property, plant and equipment	**51,551**	51,215
Amortisation of intangible assets	**179**	456
Depreciation of right-of-use assets	**7,228**	6,034
	58,958	57,705
Capitalised in the ending balance of contract costs	**(3,094)**	(5,075)
Capitalised in construction in progress	**(597)**	(149)
	55,267	52,481
Auditors' remuneration	**2,100**	2,280
Directors' emoluments (Note 12(a))	**16,116**	36,134
Other staff costs:		
– salaries and other benefits	**120,920**	120,446
– discretionary bonus (note)	**20,248**	15,815
– retirement benefit scheme contributions	**30,045**	24,672
– share-based payments	**15,284**	7,814
	202,613	204,881
Capitalised in the ending balance of contract costs	**(3,040)**	(9,114)
	199,573	195,767

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

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11. INCOME TAX CREDIT

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Current tax:		
PRC Enterprise Income Tax	**(4)**	(5)
Deferred tax (Note 31)	**250**	110
	246	105

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

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

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

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

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

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Loss before tax	**(406,991)**	(1,715,648)
Income tax credit calculated at 25%	**(101,748)**	(428,912)
Tax effect of share of loss of a joint venture	**5,786**	738
Tax effect of expenses that are not deductible for tax purpose	**54,006**	339,776
Tax effect of income not taxable for tax purpose	**(59,175)**	(5)
Tax effect of additional deductible research and development expenses (note)	**(40,882)**	(46,735)
Utilization of tax losses previously not recognized	**(5)**	(201)
Tax effect of tax losses not recognized	**125,773**	123,737
Tax effect of deductible temporary differences not recognized	**5,963**	3,285
Income tax effect at concessionary rate	**10,036**	8,212
Income tax credit	**(246)**	(105)

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FOR THE YEAR ENDED 31 DECEMBER 2022

11. INCOME TAX CREDIT *(Continued)*

At 31 December 2022, the Group has unused tax losses of approximately RMB2,114,994,000 (2021: RMB1,591,445,000). At 31 December 2022, the Group has deductible temporary differences of approximately RMB57,730,000 (2021: RMB29,715,000). Deferred taxation had not been recognized on the unused tax losses and deductible temporary differences due to the unpredictability of future profit streams.

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

	At 31 December	
	2022	2021
	RMB'000	RMB'000
2022	**–**	1,095
2023	**772**	1,717
2024	**2,867**	2,964
2025	**7,040**	7,040
2026	**44,151**	44,151
2027	**166,867**	137,092
2028	**264,650**	264,650
2029	**410,471**	410,471
2030	**249,754**	249,754
2031	**495,104**	472,511
2032	**473,318**	–
	2,114,994	1,591,445

Note: Pursuant to Caishui [2018] circular No. 99, the subsidiaries in the PRC enjoy super deduction of 175% (2021: 175%) on qualifying research and development expenditures for the year ended 31 December 2022.

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

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

(a) Executive and non-executive directors

	Date of appointment	Director's fee RMB'000	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Discretionary bonus RMB'000	Share-based payments RMB'000	Total RMB'000
For the year ended 31 December 2022							
Executive directors:							
Dr. Xueming Qian (chief executive officer) ("Dr. Qian")	August 2010	**1,608**	**1,261**	**167**	**2,224**	**417**	**5,677**
Mr. Xiaolu Weng	21 March 2022	**–**	**2,805**	**106**	**1,037**	**–**	**3,948**
Dr. Michael Ming Shi ("Dr. Shi") (note v)	31 March 2021	**–**	**2,151**	**245**	**2**	**–**	**2,398**
Mr. Albert Da Zhu ("Mr. Zhu") (note vi)	31 March 2021	**–**	**973**	**64**	**2**	**1,011**	**2,050**
		1,608	**7,190**	**582**	**3,265**	**1,428**	**14,073**
Non-executive directors:							
Dr. Yining Zhao ("Dr. Zhao")	31 March 2021	**670**	**657**	**11**	**–**	**–**	**1,338**
Dr. Kumar Srinivasan	19 December 2022	**–**	**–**	**–**	**–**	**–**	**–**
		670	**657**	**11**	**–**	**–**	**1,338**
Independent non-executive directors:							
Mr. Jiasong Tang	14 September 2021	**200**	**–**	**–**	**–**	**35**	**235**
Dr. Jun Bao	14 September 2021	**200**	**–**	**–**	**–**	**35**	**235**
Mr. Zhihua Zhang	14 September 2021	**200**	**–**	**–**	**–**	**35**	**235**
		600	**–**	**–**	**–**	**105**	**705**
		2,878	**7,847**	**593**	**3,265**	**1,533**	**16,116**

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FOR THE YEAR ENDED 31 DECEMBER 2022

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

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

	Date of appointment	Director's fee RMB'000	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Discretionary bonus RMB'000	Share-based payments RMB'000	Total RMB'000
For the year ended 31 December 2021							
Executive directors:							
Dr. Qian	August 2010	**771**	**1,301**	**136**	**1,880**	**1,086**	**5,174**
Dr. Shi	31 March 2021	**–**	**2,925**	**189**	**1,495**	**–**	**4,609**
Mr. Zhu	31 March 2021	**–**	**2,021**	**121**	**1,040**	**943**	**4,125**
		771	**6,247**	**446**	**4,415**	**2,029**	**13,908**
Non-executive director:							
Dr. Zhao (note vii)	31 March 2021	**646**	**519**	**–**	**176**	**20,735**	**22,076**
Independent non-executive directors:							
Mr. Jiasong Tang	14 September 2021	**50**	**–**	**–**	**–**	**–**	**50**
Dr. Jun Bao	14 September 2021	**50**	**–**	**–**	**–**	**–**	**50**
Mr. Zhihua Zhang	14 September 2021	**50**	**–**	**–**	**–**	**–**	**50**
		150	**–**	**–**	**–**	**–**	**150**
		1,567	**6,766**	**446**	**4,591**	**22,764**	**36,134**

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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

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

Notes:

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

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

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

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

v Dr. Shi was an executive director of the Company until 20 July 2022 on which day he resigned.

vi Mr. Zhu was an executive director of the Company until 26 June 2022 on which day he passed away.

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

(b) Five Highest Paid Employees

The five highest paid individuals of the Group during the year included 2 (2021: 4) directors, details of whose remuneration are set out above. Details of the remuneration for the year of the remaining 3 (2021: 1) highest paid employee(s) who is/are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Salaries and other benefits	**5,569**	2,641
Discretionary bonus (note)	**1,762**	407
Retirement benefit scheme contributions	**619**	212
Share-based payments	**3,496**	847
	11,446	4,107

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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

(b) Five Highest Paid Employees (Continued)

The emoluments of the five highest paid employees are within the following bands:

	Year ended 31 December	
	2022	2021
	No. of employees	No. of employees
HK$4,000,001 to HK$4,500,000	**4**	–
HK$4,500,001 to HK$5,000,000	**–**	2
HK$5,500,001 to HK$6,000,000	**–**	1
HK$6,000,001 to HK$6,500,000	**1**	1
HK$26,500,001 to HK$27,000,000	**–**	1
	5	5

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

13. LOSS PER SHARE

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Loss for the year attributable to the owners of the Company for the purpose of calculating basic and diluted loss per share	**(406,745)**	(1,715,543)

Number of shares

	Year ended 31 December	
	2022	2021
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**432,827,091**	183,599,740

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FOR THE YEAR ENDED 31 DECEMBER 2022

13. LOSS PER SHARE *(Continued)*

Number of shares (Continued)

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

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

14. DIVIDENDS

No dividend was paid or declared by the Company for ordinary shareholders of the Company during 2022, nor has any dividend been proposed since the end of the reporting period (2021: nil).

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Machinery	Motor Vehicles	Furniture and fixtures	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At 1 January 2021	174,178	5,130	356,796	303	2,532	8,857	547,796
Additions	–	847	22,774	–	195	13,363	37,179
Transfers	–	–	18,819	–	4	(18,823)	–
Disposals	–	–	(111)	–	–	–	(111)
At 31 December 2021	174,178	5,977	398,278	303	2,731	3,397	584,864
Additions	–	1,174	1,045	–	–	33,272	35,491
Transfers	764	–	17,307	–	45	(18,116)	–
Disposals	–	–	(1,064)	–	–	–	(1,064)
At 31 December 2022	174,942	7,151	415,566	303	2,776	18,553	619,291
DEPRECIATION							
At 1 January 2021	15,090	3,158	78,423	186	1,763	–	98,620
Provided for the year	7,937	927	41,999	72	280	–	51,215
Eliminated on disposals	–	–	(74)	–	–	–	(74)
At 31 December 2021	23,027	4,085	120,348	258	2,043	–	149,761
Provided for the year	8,086	1,453	41,691	30	291	–	51,551
Eliminated on disposals	–	–	(1,013)	–	–	–	(1,013)
At 31 December 2022	31,113	5,538	161,026	288	2,334	–	200,299
CARRYING AMOUNT							
At 31 December 2021	151,151	1,892	277,930	45	688	3,397	435,103
At 31 December 2022	143,829	1,613	254,540	15	442	18,553	418,992

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

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

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

As at the end of the reporting period, machinery with carrying amount of approximately RMB106,027,000 were pledged to banks to secure the bank borrowings as disclosed in Note 27 (2021: RMB124,841,000)

16. INTANGIBLE ASSETS

	Software RMB'000	IPR&D RMB'000	In-licenses RMB'000 (note i)	Total RMB'000
COST				
At 1 January 2021	2,281	51,656	95,433	149,370
Additions	810	–	–	810
At 31 December 2021	3,091	51,656	95,433	150,180
Additions	40	–	–	40
At 31 December 2022	3,131	51,656	95,433	150,220
AMORTISATION AND IMPAIRMENT				
At 1 January 2021	1,933	51,656	–	53,589
Provided for the year	456	–	–	456
At 31 December 2021	2,389	51,656	–	54,045
Provided for the year	179	–	–	179
At 31 December 2022	2,568	51,656	–	54,224
CARRYING AMOUNT				
At 31 December 2021	702	–	95,433	96,135
At 31 December 2022	563	–	95,433	95,996

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16. INTANGIBLE ASSETS *(Continued)*

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

Software	2-3 years

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

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

Under the terms of the agreement, the total upfront fee was comprised of non-refundable cash consideration of US$10,000,000 (equivalent to RMB67,531,000) and a non-cash consideration satisfied by the Company issuing certain number of preferred shares worthy of US$4,000,000. The total number of Series B-5 preferred shares issued by the Company to Lilly as a result was 2,797,514. As at 31 December 2022, the Group capitalized a total amount of RMB95,433,000 (equivalent to US$14,000,000) (2021: RMB95,433,000) as an intangible asset. The Group also agreed to pay Lilly clinical development milestone payments up to US$21 million, commercial milestone payments up to US$8.5 million, as well as tiered royalties on sales of each licensed product.

Impairment test

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

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

- The intangible asset will generate cash inflows starting from year 2027 based on the timing of clinical development and regulatory approval, commercial ramp up to reach expected peak revenue potential till year 2035, and up to the end of the exclusivity for the product. The management considers the length forecast period is appropriate because generally takes longer for a biopharma company to generate positive cash flows, compared to companies in other industries, especially when the related products are under clinical trial. Hence, the management believes that a forecast period for the cash-generating unit longer than five years is justifiable and consistent with industry practice;
- The expected market penetration rate was based on the expected selling conditions considering the features of marketing and technology development;
- The discount rate used is pre-tax and reflect specific risks relating to the relevant products that would be considered by market participants; and
- The expected success rate of commercialization by reference to practices of pharmaceutical industries, development of technologies and related regulations from administrations.

Notes to the Consolidated Financial Statements

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16. INTANGIBLE ASSETS *(Continued)*

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

Impairment test (Continued)

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

	As at 31 December	
	2022	2021
Pre-tax discount rate	**17.5%**	16.5%
Expected annual growth rates till 2035 (note)	**1.5%-140.9%**	9.1%-175.7%
Expected market penetration rate	**1.0%-10.0%**	1.0%-13.5%
Expected success rate of commercialization	**38%**	38%

Note: The compound growth rates calculated based on the expected annual growth rates till 2035 were 22% as at the end of the reporting period.

Based on the result of impairment assessment, there was no impairment as at 31 December 2022 (2021: nil).

Impairment test – sensitivity

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Headroom	**149,279**	693,567
Impact by increasing discount rate	**(55,640)**	(121,825)
Impact by decreasing revenue compound growth rate	**(22,532)**	(28,041)

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

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17. RIGHT-OF-USE ASSETS

	Leasehold land RMB'000	**Leased properties** RMB'000	**Total** RMB'000
As at 31 December 2021			
Carrying Amount	24,916	13,141	38,057
As at 31 December 2022			
Carrying Amount	**23,865**	**7,437**	**31,302**
For the year ended 31 December 2021			
Depreciation charge for the year	686	5,348	6,034
For the year ended 31 December 2022			
Depreciation charge for the year	**1,051**	**6,177**	**7,228**

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Total cash outflow for leases	**7,070**	5,688
Additions to right-of-use assets	**467**	26,968

For both years, the Group leases various pieces of land and various properties for its operations. Lease contracts are entered into for fixed term of approximately 2 years to 45 years (2021: 2 years to 45 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. There were no extension options in the lease contracts. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable

Restrictions or covenants on leases

As at 31 December 2022, lease liabilities of RMB7,860,000 (2021: RMB13,982,000) are recognized with related right-of-use assets of RMB7,437,000 (2021: RMB13,141,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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FOR THE YEAR ENDED 31 DECEMBER 2022

18. GOODWILL

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Carrying amount	**471,901**	471,901

The goodwill arose from acquisition of Perfusion Biologics Co., Limited (formerly known as " Just Biotherapeutics Asia Inc.) ("Just Cayman") in 2019. The goodwill is not be deductible for tax purpose.

Impairment test

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

For the year ended 31 December 2022

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

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

- The cash flow projections are made based on financial budgets prepared by management till year 2035 based on the timing of clinical development and regulatory approval of relevant products. Cash flows beyond year 2035 are extrapolated using the estimated terminal growth rate at 3%. The management considers the length of forecast period is appropriate because it generally takes longer for a biopharma company to reach a perpetual growth mode, compared to companies in other industries, especially when the related products are still under clinical trial. Hence, the management believes that a forecast period for the cash generating units longer than five years is justifiable and consistent with industry practice;
- The expected market penetration rate was based on the expected selling conditions considering the features of marketing and technology development;
- The discount rate used is pre-tax and reflect specific risks relating to the relevant products that would be considered by market participants; and
- The expected success rate of commercialization by reference to practices of pharmaceutical industries, development of technologies and related regulations from administrations.

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18. GOODWILL *(Continued)*

Impairment test (Continued)

For the year ended 31 December 2022 (Continued)

The key parameters used for value-in-use calculations are as follows:

	At 31 December 2022 RMB'000
Pre-tax discount rate	**17%**
Expected annual growth rates till 2035 (note)	**14.2%-378.9%**
Expected market penetration rate	**0.1%-56.0%**
Expected success rate of commercialization	**10%-85%**

Note: The compound growth rates calculated based on the expected annual growth rates till 2035 were 23% as at 31 December 2022.

The revenue growth rate for the forecast period and budgeted gross margin were determined by the management based on past performance and its expectation for market and product development. The terminal growth rate used does not exceed the industry growth forecast for the market in which the Group operates.

Based on the result of the goodwill impairment testing, the estimated recoverable amount of the group of cash-generating units exceeded its carrying amount as at 31 December 2022. Thus, no impairment is recognised.

Sensitivity

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

	At 31 December 2022 RMB'000
Headroom	**1,337,497**
Impact by increasing discount rate	**(617,782)**
Impact by decreasing revenue compound growth rate	**(144,948)**

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

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FOR THE YEAR ENDED 31 DECEMBER 2022

18. GOODWILL *(Continued)*

Sensitivity *(Continued)*

For the year ended 31 December 2021

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

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

19. INTERESTS IN A JOINT VENTURE

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

	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000
Cost of investment in a joint venture	**500**	500
Other adjustments (note)	**26,816**	26,816
Accumulated share of loss and other comprehensive expenses	**(26,097)**	(2,952)
	1,219	24,364

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

In accordance with the framework agreement, Suzhou Transcenta Therapeutics Co., Ltd. paid the RMB500,000 in January 2021. During the year ended 31 December 2021, a total amount of RMB48,700,000 (equivalent to approximately US$7,200,000), represented the first three instalments as stipulated in the framework agreement, was paid by Alebund Pharmaceuticals, representing 44.44% ownership interest in Lisheng. Meanwhile, the ownership interest held by Mabspace Suzhou was diluted from 100% to 55.56%.

Notes to the Consolidated Financial Statements

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

As of 31 December 2022, the proportion of Suzhou Transcenta Therapeutics Co., Ltd. paid-up registered capital was 56.6%. However, Suzhou Transcenta Therapeutics Co., Ltd. was not in a position to control the joint venture. According to the framework agreement, the ultimate and sole purpose of the establishment of the joint venture is the research and development of TST004. In addition, the framework agreement stipulates that the company's business plan needs to be implemented in accordance with the Development Plan and Budget, Which should be mutual approved by joint shareholders. At this time, in essence, Suzhou Transcenta Therapeutics Co., Ltd. and Alebund Pharmaceuticals, jointly controlled the joint venture.

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

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

Name of entity	**Country of incorporation registration and nature of the legal entity**	**Principal place of business**	**Proportion of Ownership Interest held by the Group**		**Proportion of voting rights held by the Group**		**Principal activity**
			At 31 December 2022	At 31 December 2021	**At 31 December 2022**	At 31 December 2021	
Lisheng	The PRC Limited Liability Company	The PRC	**55.56%**	55.56%	**55.56%**	55.56%	Research, development and commercialization of innovation therapies

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

Summarised financial information of the joint venture

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

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

	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000
Current assets	**12,615**	43,408
Non-current assets	**60,737**	60,787
Current liabilities	**10,816**	2
The above amounts of assets include the following: Cash and cash equivalents	**12,615**	12,413

	The year ended 31 December 2022 RMB'000	The year ended 31 December 2021 RMB'000
Research and development expenses	**(41,809)**	(5,763)
Loss and total comprehensive expenses for the year	**(41,657)**	(5,314)

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

	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000
Net assets of Lisheng	**62,536**	104,193
Proportion of the Group's ownership interest in Lisheng	**55.56%**	55.56%
	34,745	57,890
Elimination (note)	**(33,526)**	(33,526)
Carrying amount of the Group's interest in Lisheng	**1,219**	24,364

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

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20. INVENTORIES

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Raw materials	**20,566**	20,792

21. TRADE AND OTHER RECEIVABLES

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Trade receivables	**34,012**	2,565
Less: Allowance for credit losses	**–**	–
	34,012	2,565
Other receivables:		
Promissory note receivables (note) (note 41)	**–**	8,465
Interest receivables	**12,016**	–
Prepayments for:		
Research and development services	**18,719**	24,207
Legal and professional services	**2,083**	1,063
Purchase of raw materials	**2,039**	3,356
Refundable rental deposits	**1,707**	1,316
Others	**754**	3,724
	71,330	44,696
Analyzed as:		
Non-current	**1,707**	1,316
Current	**69,623**	43,380
	71,330	44,696

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

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FOR THE YEAR ENDED 31 DECEMBER 2022

21. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Within 30 days	**31,965**	2,565
31 – 60 days	**1,936**	–
61 – 90 days	**96**	–
91 – 120 days	**–**	–
121 – 365 days	**15**	–
	34,012	2,565

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

	At 31 December	
	2022	2021
	RMB'000	RMB'000
US$	**1,461**	8,840

Note: The promissory note receivables balance arises from the exercise of share options by directors of the Company and key management personnel of the Group. The promissory notes initially carried interest rate of 3.6% per annum, and revised to 0.3% per annum during the year ended 31 December 2022 before their settlement.

22. CONTRACT COSTS

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Costs to fulfill contracts	**17,636**	33,275

Contract costs capitalized relate to the costs incurred to fulfill contracts. Contract costs are recognized as part of cost of sales in the consolidated statements of profit or loss in the period in which revenue is recognized. The amount of capitalized costs recognized in profit or loss during the year ended 31 December 2022 was RMB82,003,000 (2021: RMB40,874,000). There was no impairment in relation to the opening balance of capitalized costs or the cost capitalized during the year ended 31 December 2022 (2021: nil).

Notes to the Consolidated Financial Statements

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

(a) Amounts due from related parties

	At 31 December		Maximum amount outstanding during the year ended 31 December	
	2022	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000
Promissory note receivables				
Dr. Qian	**–**	24,056	**25,945**	24,056
Dr. Shi	**–**	5,432	**5,865**	5,432
Mr. Zhu	**–**	920	**993**	920
Dr. Zhao	**–**	29,616	**31,975**	31,412
Others	**–**	16,105	**26,495**	20,252
	–	76,129	**91,273**	82,072

The promissory note receivables balance arises from the exercise of share options by directors of the Company and key management personnel of the Group as disclosed in Note 33. The promissory notes initially carried interest rate of 3.6% per annum, and revised to 0.3% per annum during the year ended 31 December 2022 before their settlement.

The promissory note receivables were all denominated in US$.

(b) Amount due to a director

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

24. BANK BALANCES AND CASH, PLEDGED BANK DEPOSITS AND TIME DEPOSITS

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The bank balances and short-term bank deposits carry interests at market rates ranging from 0.01% to 3.1% (2021: 0.01% to 2.25%).

As at 31 December 2022, the pledged bank deposits of the Group amounting to RMB6,128,000 (2021: RMB6,111,000) was pledged with a bank for certain custom duty reduction on imported machinery, and RMB41,788,000 (2021: nil) was related to bank borrowing, which was subsequently released in January 2023. The pledged bank deposits carried interest at market rate ranging from 0.01% to 2.75% (2021: 0.01% to 2.75%).

The time deposits of the Group amounting to RMB50,000,000 (2021: nil) as of 31 December 2022 with an original maturity of three years, which were placed with licensed commercial banks in the PRC. The time deposits carry interest at fixed rates 3.25% per annum as of 31 December 2022.

Bank balances and cash, pledged bank deposits and time deposits that are denominated in the following currencies:

	At 31 December	
	2022	2021
	RMB'000	RMB'000
RMB	**900,606**	95,417
US$	**88,471**	624,302
HK$	**4,289**	508,418
	993,366	1,228,137

25. TRADE AND OTHER PAYABLES

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Trade payables	**48,154**	31,430
Accrued research and development expenses	**51,246**	36,100
Other payables:		
Purchase of property, plant and equipment	**10,520**	2,856
Legal and professional fee	**1,125**	3,435
Others	**7,351**	3,440
Interest payables	**576**	462
Other tax payables	**1,238**	949
Accrued staff costs and benefits	**27,022**	22,389
Other accruals	**1,149**	903
	148,381	101,964

The average credit period on purchases of goods and services of the Group is 30 days.

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FOR THE YEAR ENDED 31 DECEMBER 2022

25. TRADE AND OTHER PAYABLES *(Continued)*

The following is an aged analysis of trade payables, presented based on earlier of the date of goods and services received and the invoice dates at the end of each reporting period:

	At 31 December	
	2022	2021
	RMB'000	RMB'000
0 – 30 days	**32,579**	20,531
31 – 60 days	**1,669**	2,262
61 – 90 days	**4,271**	8,460
91 – 120 days	**287**	–
121 – 365 days	**9,240**	131
Over 365 days	**108**	46
	48,154	31,430

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

	At 31 December	
	2022	2021
	RMB'000	RMB'000
US$	**2,900**	5,406

26. CONTRACT LIABILITIES

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Provision of CDMO services	**1,146**	4,972
Provision of research and development services	**–**	30,995
	1,146	35,967

As at 1 January 2021, contract liabilities amounted to RMB7,029,000. Revenue recognised that was included in the contract liabilities balance at the beginning of the years during each of the two years ended 31 December 2022 and 2021 amounted to RMB35,967,000 and RMB7,029,000 respectively.

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27. SHORT-TERM OVERDRAFTS/LONG-TERM OVERDRAFTS

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Secured	**82,100**	105,769
Unsecured	**321,500**	244,960
	403,600	350,729
Fixed-rate borrowings	**333,600**	218,002
Variable-rate borrowings	**70,000**	132,727
	403,600	350,729
Carrying amount repayable*:		
Within one year	**387,600**	273,339
Within a period of more than one year but not exceeding two years	**16,000**	61,390
Within a period of more than two years but not exceeding five years	**–**	16,000
	403,600	350,729
Less: Amounts due within 12 months shown under current liabilities	**(387,600)**	(273,339)
Amounts shown under non-current liabilities	**16,000**	77,390

The ranges of the effective interest rates on the Group's borrowings are as follows:

	Year ended 31 December	
	2022	2021
Fixed-rate borrowings	**3.15%-5.025%**	3.85%-5.225%
Variable-rate borrowings	**4%**	4%

As at 31 December 2022, borrowings amounting to RMB49,100,000 (2021: RMB105,769,000) and RMB33,000,000 (2021: nil) are secured by property, plant and equipment with carrying amount of RMB106,027,000 (2021: RMB124,841,000) and pledged bank deposits of RMB41,788,000 (2021: nil), respectively.

All the Group's borrowings are denominated in the functional currencies of the relevant group entities.

** The amounts due are based on scheduled repayment dates set out in the loan agreements.*

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

28. LEASE LIABILITIES

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Lease liabilities payable:		
Within one year	**5,243**	6,272
Within a period of more than one year but not exceeding two years	**2,481**	5,250
Within a period of more than two years but not exceeding five years	**136**	2,460
	7,860	13,982
Less: Amounts due for settlement with 12 months shown under current liabilities	**(5,243)**	(6,272)
Amounts due for settlement after 12 months shown under non-current liabilities	**2,617**	7,710

The weighted average incremental borrowing rates applied to the lease liabilities range from 2.98% to 6.483% (2021: 2.98% to 6.483%) for the year ended 31 December 2022.

29. DEFERRED INCOME

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Government grants		
Conditional (note i)	**50,300**	18,868
Assets-related grants (note ii)	**24,000**	32,000
	74,300	50,868
Less: current portion	**(8,000)**	(8,000)
Non-current portion	**66,300**	42,868

Notes:

i The deferred income represents the government grant received from the local government to support the business operations of the Group. They are conditional upon meeting specific requirements based on the relevant grant documents. The Group received government grants with total amount of RMB50,300,000 but not yet recognised as other income, which is expected to be recognised when the relevant conditions fulfilled.

ii The asset-related grants are the subsidies received from the government for the purpose of compensation for purchase of the Group's property, plant and equipment. Amortisation of RMB8,000,000 was recognised in profit or loss in the current year.

Notes to the Consolidated Financial Statements

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30. FINANCIAL LIABILITIES AT FVTPL

The Company entered various investment agreements with independent investors pursuant to which the Company issued Preferred Shares to the investors to subscribe for the Preferred Shares of the Company. As at 29 September 2021, all Preferred Shares were automatically converted into ordinary shares and the fair value of the Preferred Shares were measured at the IPO issue price of HK$16.00 per share. Management considered that fair value change in the financial liabilities at FVTPL that are attributable to changes of credit risk of this liability is not significant.

The movement of the fair value of the Preferred Shares during the year ended 31 December 2021 and 2022 is as follows:

	Preferred Shares US$'000	**Shown in financial information as** RMB'000
At 1 January 2021	358,709	2,474,233
Issuance of Series C-1 Preferred Shares	43,275	278,292
Changes in fair value (note)	208,993	1,198,173
Automatic conversion of Preferred Share upon IPO	(610,977)	(3,950,698)
At 31 December 2021 and 2022	–	–

Note: Changes in fair value presented in RMB includes effect of exchange on translation from US$ balances.

31. DEFERRED TAX LIABILITIES

The following is the analysis of the deferred tax balances for financial reporting purpose.

	Fair value adjustments of property, plant and equipment RMB'000	**Intangible assets** RMB'000	**Total** RMB'000
At 1 January 2021	1,860	23,858	25,718
Credited to profit or loss	(110)	–	(110)
At 31 December 2021	1,750	23,858	25,608
Credited to profit or loss	(250)	–	(250)
At 31 December 2022	**1,500**	**23,858**	**25,358**

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32. SHARE CAPITAL

	Number of shares	Share capital US$'000
Ordinary shares		
Ordinary shares of US$0.0001 each		
Authorized		
At 1 January 2021	561,223,198	56
Automatic conversion of Preferred Shares upon IPO	318,152,020	32
Increase in authorized shares *(note i)*	9,120,624,782	912
At 31 December 2021 and 2022	**10,000,000,000**	**1,000**

	Number of shares	Amount US$'000	Equivalent Amount of ordinary shares RMB'000
Issue and fully paid			
At 1 January 2021	97,262,003	10	66
Issuance of shares held on trust (note ii)	2,670,445	–*	2
Issuance of ordinary shares in relation to exercise of share options (Note 33)	362,040	–*	–*
Issuance of treasury shares (note iii)	7,465,785	1	5
Issuance of ordinary share upon IPO (note iv)	40,330,000	4	26
Automatic conversion of Preferred Shares upon IPO	297,241,644	30	192
At 31 December 2021	445,331,917	45	291
Issuance of ordinary shares in relation to exercise of share options (Note 33)	205,415	–*	–*
Cancellation of shares in relation to promissory note settlement (note v)	(25,704,680)	(3)	(19)
Cancellation of shares repurchased (note vi)	(1,899,000)	–*	(1)
Issuance of shares hold on trust (note vii)	1,986,000	–*	1
At 31 December 2022	**419,919,652**	**42**	**272**

* Amount is less than US$1,000 or RMB1,000.

Notes to the Consolidated Financial Statements

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32. SHARE CAPITAL *(Continued)*

The details of the treasury shares held in trust are set out as below:

	Number of treasury shares	Amount US$'000	Equivalent Amount of ordinary shares RMB'000
At 1 January 2021	–	–	–
Issuance of shares held on trust (note ii)	2,670,445	–*	2
Issuance of treasury shares (note iii)	7,465,785	1	5
At 31 December 2021	10,136,230	1	7
Shares repurchased	1,899,500	929	6,616
Cancellation of shares repurchased (note vi)	(1,899,000)	(929)	(6,615)
Issuance of shares hold on trust (note vii)	1,986,000	–*	1
At 31 December 2022	**12,122,730**	**1**	**9**

* Amount is less than US$1,000.

Notes:

i Pursuant to a resolution of directors passed on 18 June 2021, the number of authorized shares for issue increased by 9,120,624,782 shares.

ii On 10 February 2021, the Company issued a total number of 2,670,445 ordinary shares to Success Reach International Limited whose entire share capital is held by Trident Trust Company (HK) Limited in trust, being served as the trustee of the Success Reach trust. Success Reach trust is an irrevocable trust established by the Company for the benefit of certain participants under the Pre-IPO Equity Incentive Plan as fully explained in Note 33. The amount is presented as treasury shares in the consolidated statements of financial position of the Group.

iii On 22 June 2021, the Company issued 2,965,785 ordinary shares to Success Reach International Limited and 4,500,000 shares to Success Link International L.P. to hold on behalf of future participants of the Pre-IPO Equity Incentive Plan of the Company.

iv On 29 September 2021, 40,330,000 ordinary shares of US$0.0001 par value each were issued at HK$16.0 per share for a total gross cash consideration of HK$645,280,000 (equivalent to RMB536,034,000) in connection with the Company's IPO.

v On 25 November 2022, the Company entered into various promissory notes settlement agreements with related participated employees and directors, pursuant to which that the Company cancelled 25,704,680 shares held by Success Link International L.P. to settle the relevant promissory notes.

vi On 28 November 2022 and 30 December 2022, the Company cancelled 1,607,000 and 292,000 shares, respectively, at average price of RMB3.48, total RMB6,615,000.

vii On 30 December 2022, the Company issued 1,986,000 ordinary shares to Success Connect Trust to hold on behalf of future participants of the Post-IPO Share Award Scheme of the Company. Success Connect Trust is an irrevocable trust established by the Company for the benefit of certain participants under the Post-IPO Share Award Scheme as fully explained in Note 33.

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33. SHARE-BASED PAYMENT TRANSACTIONS

a) Pre-IPO Equity Incentive Plan

The Transcenta Holding Limited 2019 Equity Incentive Plan ("Pre-IPO Equity Incentive Plan") was effective since 1 January 2019. The purpose of the Pre-IPO Equity Incentive Plan was to provide incentives to employees, directors and consultants in order to promote the success of the business of the Company.

Under the Pre-IPO Equity Incentive Plan, the board of directors may grant share options or pledged share units to eligible employees, directors and consultants. The maximum number of shares which may be issued pursuant to all awards granted under the Pre-IPO Equity Incentive Plan is 69,325,254, subject to any adjustments to reflect any share dividends, share splits, or similar transactions. The Pre-IPO Equity Incentive Plan will expire on its 10th anniversary.

During the year ended 31 December 2022, 2,400,000 shares options were granted to employees, directors and consultants (2021: 5,450,000).

Set out below are details of the movements of the outstanding restricted share units/share options granted under the Pre-IPO Equity Incentive Plan during both years:

	At 1 January 2021 '000	Granted during the year '000	Forfeited during the year '000	Exercised during the year '000 (note ii)	At 31 December 2021 '000	Granted during the year '000	Forfeited during the year '000	Exercised/ vested during the year '000	**At 31 December 2022 '000**
Milestone-based (note i)	2,866	–	(530)	–	2,336	300	(44)	–	**2,592**
Time-based				–					
Category A	5,259	3,400	(815)	–	7,844	–	(3,672)	(187)	**3,985**
Category B	–	–	–	–	–	–	–	–	**–**
Category C	2,118	–	(385)	–	1,733	–	(270)	(10)	**1,453**
Category D	8,405	2,050	(154)	(362)	9,939	2,100	(2,687)	(213)	**9,139**
Category E	600	–	–	–	600	–	–	–	**600**
Category F	20	–	–	–	20	–	(20)	–	**–**
	19,268	5,450	(1,884)	(362)	22,472	2,400	(6,693)	(410)	**17,769**
Directors	4,960	3,400	(1,200)	–	7,160	1,000	(4,935)	–	**3,225**
Consultants	2,416	160	(500)	–	2,076	–	(9)	(327)	**1,740**
Employees	11,892	1,890	(184)	(362)	13,236	1,400	(1,749)	(83)	**12,804**
	19,268	5,450	(1,884)	(362)	22,472	2,400	(6,693)	(410)	**17,769**
Weighted average exercise price (US$)	0.54	0.4	0.52	0.11	0.52	–*	0.31	0.10	**0.54**
Exercisable									
Directors	329				2,802				**2,900**
Consultants	1,381				1,884				**1,613**
Employees	5,014				8,101				**8,577**
	6,724				12,787				**13,090**

* Amount is less than USD0.01.

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33. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

b) Post-IPO Share Award Scheme

On 18 June 2021, the Company adopted a post-IPO share award scheme (the"Post-IPO Share Award Scheme"). Under the Post-IPO Share Award Scheme, the board of directors may grant restricted share units/share options to eligible employees, directors and consultants. The maximum number of shares/share options which may be issued pursuant to all awards granted under the Post-IPO Share Award Scheme is 42,403,891, subject to an annual limited of 3% of the total number of issued Shares at the relevant time.

	At 31 December 2021 '000	Granted during the year '000	Forfeited during the year '000	Exercised/ vested during the year	**At 31 December 2022 '000**
Milestone-based (note i)	–	9,150	–	–	**9,150**
Time-based					
Category B	–	103	–	–	**103**
Category C	–	3,961	(337)	(378)	**3,246**
Category D	–	4,405	–	–	**4,405**
Category F	–	2,578	–	(2,016)	**562**
	–	20,197	(337)	(2,394)	**17,466**
Directors	–	11,357	(68)	(142)	**11,147**
Employees	–	8,840	(269)	(2,252)	**6,319**
	–	20,197	(337)	(2,394)	**17,466**
Weighted average exercise price (US$)	–	0.24	0.15	–	**0.27**
Exercisable					
Directors	–				**1,688**
Employees	–				**754**
	–				**2,442**

Note i: Milestone-based restricted share units/share options are granted conditionally upon the achievement of specific performance targets including but not limited to completion of various research and development milestones. The expected vesting period is estimated by directors of the Company based on the expected timeline of each milestone achievement.

The vesting schedule for category A options is over 4 years with 25% of the options vesting on the one year anniversary of the vesting commencement date as stipulated in respective grant notices and the remaining 75% of the options vesting in 36 equal monthly installments from such one year anniversary of the vesting commencement date.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

33. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The vesting schedule for category B options is over 2 years in 2 equal yearly installments from the vesting commencement date as stipulated in respective grant notices.

The vesting schedule for category C options is over 3 years in 3 equal yearly installments from the vesting commencement date as stipulated in respective grant notices.

The vesting schedule for category D options is over 4 years in 4 equal yearly installments from the vesting commencement date as stipulated in respective grant notices.

The vesting schedule for category E options is over 5 years in 5 equal yearly installments from the vesting commencement date as stipulated in respective grant notices.

The vesting schedule for category F options is over 1 year in 1 equal yearly installments from the vesting commencement date as stipulated in respective grant notices.

Fair value of restricted share units/share options granted

Back-solve method was used to determine the underlying equity fair value of the Company and binomial option pricing model was used to determine the fair value of the options granted. The fair value of the options at grant date was valued by directors of the Company with reference to valuation reports carried out by an independent qualified professional valuer. Key assumptions, such as years to liquidity event, risk-free interest rate and volatility, are required to be determined by the directors with best estimate.

These key inputs into the model were as follows:

	Granted during the year ended 31 December	
	2021	2022
Grant date option fair value per share	**US$0.95 – US$1.60**	US$0.73 – US$1.18
Grant date ordinary share fair value	**US$0.91 – US$2.49**	US$0.35 – US$1.18
Exercise price	**US$0.0001 – US$1.14**	US$0.0000 – US$0.4143
Expected volatility	**75%**	75%
Expected life	**10 years**	10 years
Risk-free rate	**1.47%-1.59%**	0.39%-3.57%
Expected dividend yield	**0%**	0%

The directors of the Company estimated the risk-free interest rate based on the yield of the United States Treasury Bonds with a maturity life close to the option life of the share option. Volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share options. Expected dividend yield is based on management estimation at the grant date. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations. The Group recognized the total expense of RMB16,817,000 for the year ended 31 December 2022 (2021: RMB30,578,000) in relation to restricted share units/share options granted by the Company.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

34. RELATED PARTY TRANSACTIONS

Other than as disclosed in elsewhere in these consolidated financial statements, the Group has following transactions and balances with related parties:

Relationship	Nature of balances/transactions	As at 31 December		For the year ended 31 December	
		2022	2021	**2022**	2021
		RMB'000	RMB'000	**RMB'000**	RMB'000
A joint venture	Provision of research and development and CDMO services	**–**	–	**41,809**	6,042
	Trade receivables	**10,814**	–	**–**	–
	Contract liabilities	**–**	30,995	**–**	–
Directors and senior management	Promissory note interest receivables	**–**	2,642	**–**	–
	Interest income from promissory note	**–**	–	**141**	–
	Loss arising on revision of interest rate of promissory note	**–**	–	**2,863**	–

Compensation of key management personnel

The remuneration of the directors of the Company and other members of key management of the Group during the year were as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Short term benefits	**20,736**	19,306
Discretionary bonus (note)	**5,869**	6,452
Post-employment benefits	**1,882**	1,605
Share-based payments	**5,168**	25,209
	33,655	52,572

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

35. CAPITAL COMMITMENT

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements:		
– Property, plant and equipment	**60,017**	23,478

36. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to share holders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged during the year.

The capital structure of the Group consists of net debts, which includes bank borrowings disclosed in Note 27, lease liabilities disclosed in Note 28 net of bank balances, pledged bank deposits and time deposits disclosed in Note 24 and equity attributable to owners of the Company, comprising share capital and reserves.

The management of the Group reviews the capital structure regularly. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the new share issues as well as the issue of new debt.

37. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Financial assets		
Amortised cost	**1,041,101**	1,316,612
Financial liabilities		
Amortised cost	**523,721**	429,623

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

37. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies

The Group's major financial assets and liabilities include trade and other receivables, amounts due from related parties, bank balances and cash, pledged bank deposits, time deposits, trade and other payables, bank borrowings and amount due to a director. Details of these financial assets and liabilities are disclosed in respective notes.

The risks associated with these financial assets and liabilities include market risks (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose it primarily to currency risk, interest rate risk and other price risk. There has been no change in the Group's exposure to these risks or the manner in which it manages and measures the risks.

(i) Currency risk

Certain bank balances and cash, trade and other receivables, amounts due from related parties, and trade and other payables are denominated in foreign currency of respective group entities which are exposed to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are mainly as follows:

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Assets		
US$	**89,932**	709,271
HK$	**4,289**	508,418
Liabilities		
US$	**2,900**	5,406

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

37. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk *(Continued)*

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against US$ and HK$, the foreign currency with which the Group may have a material exposure. 5% represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis uses outstanding foreign currency denominated monetary items as a base and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rate. A negative/positive number below indicates an increase/decrease in loss where RMB strengthens 5% against US$ and HK$. For a 5% weakening of RMB against US$ and HK$, there would be an equal and opposite impact on loss for the year.

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Impact on profit or loss		
US$	**(4,352)**	(35,193)
HK$	**(214)**	(25,421)

(ii) Interest rate risk

The Group is primarily exposed to fair value interest rate risk in relation to fixed-rate bank borrowings and lease liabilities. The Group currently does not have an interest rate hedging policy to mitigate interest rate risk; nevertheless, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank borrowings. The directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank borrowings is insignificant therefore no sensitivity analysis on such risk has been prepared.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

37. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies (Continued)

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group is arising from the amount of each class of financial assets as disclosed in the consolidated statements of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Trade receivables

For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The ECL on trade receivable are assessed individually, based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forward-looking information that is available without undue cost or effort at the end of each period. The expected credit loss rate of trade receivables as at 31 December 2022 were 0% (2021: 0.1%).

In order to minimize the credit risk with customers, the management of the Group has delegated its finance team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

As of 31 December 2022, RMB12,282,000 (2021: RMB1,482,000), representing 36% (2021: 58%) of total trade receivables from the Group's largest debtors and RMB31,838,000 (2021: RMB2,565,000) of the trade receivables was due from the five largest debtors, representing 94% (2021: 100%) of total trade receivables as at 31 December 2022.

Other receivables

For other receivables, the Group has applied 12m ECL in IFRS 9 to measure the loss allowance. The ECL on other receivables are assessed individually based on historical settlement records and past default experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the end of the reporting period. The expected credit loss rate of other receivables as at 31 December 2022 were all less than 0.1% (2021: 0.1%). Management considered the ECL provision of other receivables is insignificant.

Bank balances, pledged bank deposits and time deposits

The credit risk on bank balances, pledged bank deposits and time deposits is limited because the counterparties are reputable financial institutions. The Group assesses 12m ECL for bank balances, pledged bank deposits and time deposits with reference to information relating to average loss rates of the respective credit rating grades published by external credit rating agencies based on the average loss rate. Management considered the ECL on bank is balances, pledged bank deposits and time deposits is insignificant.

Notes to the Consolidated Financial Statements

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37. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

Bank balances, pledged bank deposits and time deposits *(Continued)*

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

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37. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

Bank balances, pledged bank deposits and time deposits *(Continued)*

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

				The Group	
	Notes	**Internal credit rating**	**12m or lifetime ECL**	**As at 31 December 2022 Gross carrying amount RMB'000**	As at 31 December 2021 Gross carrying amount RMB'000
Financial assets at amortised cost					
Trade receivables	21	Low risk	Lifetime ECL – not credit-impaired	**34,012**	2,565
Other receivables	21	Low risk	12m ECL	**1,707**	9,781
Interest receivables	21	Low risk	12m ECL	**12,016**	–
Amounts due from related parties	23	Low risk	12m ECL	**–**	76,129
Bank balances and cash	24	N/A	12m ECL	**895,450**	1,222,026
Pledged bank deposits	24	N/A	12m ECL	**47,916**	6,111
Time deposits	24	N/A	12m ECL	**50,000**	–

Movement in lifetime ECL that has been recognized for trade receivables in accordance with the simplified approach set out in IFRS 9 as at the end of the reporting period:

	Trade receivables (credit-impaired) RMB'000
At 1 January 2021	–
Impairment losses recognized	(3,040)
Impairment losses reversed	1,399
Write-off	1,641
At 31 December 2021 and 2022	–

Notes to the Consolidated Financial Statements

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37. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on bank borrowings and issuance of Preferred Shares as significant sources of liquidity.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Within 1 year and on demand	1 to 2 years	2 to 5 years	Total	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2022						
Trade and other payables	**–**	**120,121**	**–**	**–**	**120,121**	**120,121**
Bank borrowings	**3.927**	**403,121**	**17,309**	**–**	**420,430**	**403,600**
Lease liabilities	**2.98-6.483**	**5,474**	**2,705**	**148**	**8,327**	**7,860**
		528,716	**20,014**	**148**	**548,878**	**531,581**
At 31 December 2021						
Trade and other payables	–	78,626	–	–	78,626	78,626
Amount due to a director	–	268	–	–	268	268
Bank borrowings	4.444	285,758	67,095	18,284	371,137	350,729
Lease liabilities	2.98-6.483	6,760	5,780	2,511	15,051	13,982
		371,412	72,875	20,795	465,082	443,605

(C) Fair value measurements of financial instruments

The fair value of financial assets and financial liabilities are determined in accordance with general accepted pricing models based on discounted cash flow analysis using prices from observable current market conditions.

(i) Fair value of financial assets and financial liabilities that are not measure at fair value

The directors of the Company consider that the carrying amount of the Group's financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

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38. RETIREMENT BENEFIT PLANS

The employees of the Group's subsidiaries in the PRC are members of the state-sponsored retirement benefit scheme organized by the relevant local government authority in the PRC. The subsidiary is required to contribute, based on a certain percentage of the payroll costs of its employees, to the retirement benefit scheme and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The total amount provided by the Group to the scheme in the PRC is RMB24,094,000 for the year ended 31 December 2022 (2021: RMB19,801,000).

The Group has a defined contribution plan in the USA where participating employees may contribute up to US$20,500 (2021: US$19,500) annually. The Group makes a matching contribution of 3.0% of each eligible participant's compensation. The total cost in respect to the above mentioned defined contribution plan amounted to approximately RMB6,544,000 for the year ended 31 December 2022 (2021: RMB5,317,000).

39. PARTICULARS OF SUBSIDIARIES

As at 31 December 2021 and 2022, the Group's subsidiaries are as follows:

Name of subsidiaries	Place/country and date of establishment/ incorporation and nature of the legal entity	Issued and fully paid share/registered capital	Equity interest attributable to the Group as at 31 December		Principal activities
			2022	2021	
Directly held					
Transcenta Therapeutics Co., Limited (formerly known as "Mabspace Biosciences Co., Limited")	Hong Kong 6 April 2011	HK$10,000	**100%**	100%	Investment holding
Perfusion Biologics Co., Limited (formerly known as "Transcenta Biotherapeutics Inc.")	Cayman 15 November 2018	US$50,000	**100%**	100%	Investment holding
Transcenta Therapeutics Inc.	USA 26 September 2016	US$2,750,000	**100%**	100%	Research, development and commercialization of innovation therapies

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39. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of subsidiaries	Place/country and date of establishment/ incorporation and nature of the legal entity	Issued and fully paid share/registered capital	Equity interest attributable to the Group as at 31 December 2022	2021	Principal activities
Indirectly held					
HJB (Hangzhou) Co., Ltd. (note a)	The PRC 18 February 2016 Limited Liability Company	RMB346,832,160	**100%**	100%	Research, development and commercialization of pharmaceutical drug candidates and provision of related technical services
YJ Biosciences Co., Ltd.* (杭州奕健生物科技有限公司) (note c and d)	The PRC 3 February 2016 Limited Liability Company	RMB19,607,844	**100%**	100%	Research, development and commercialization of pharmaceutical drug candidates and provision of related technical services
Suzhou Transcenta Therapeutics Co., Ltd (note b)	The PRC 18 October 2012 Limited Liability Company	US$61,657,153	**100%**	100%	Research, development and commercialization of pharmaceutical drug candidates and provision of related technical services
Transcenta Diagnostics (Suzhou) Co., Ltd.* (創勝診斷科技(蘇州)有限公司) (note c)	The PRC 18 September 2013 Limited Liability Company	RMB5,000,000	**100%**	100%	Research, development and commercialization of innovative therapies
Transcenta Therapeutics (Shanghai) Co., Ltd.* (創勝生物醫藥(上海)有限公司) (note a)	The PRC 22 May 2019 Limited Liability Company	US$12,500,000	**100%**	100%	Research, development and commercialization of innovative therapies
Perfusion Biologics (HK) Co., Limited (formerly known as" HJB (Hong Kong) Limited.")	Hong Kong 7 March 2016	HK$1	**100%**	100%	Investment holding
Transcenta Therapeutics (Beijing) Co., Ltd.* (邁博斯生物科技(北京)有限公司) (note c)	The PRC 21 September 2020 Limited Liability Company	RMB20,000,000	**100%**	100%	Research, development and commercialization of innovative therapies

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39. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of subsidiaries	Place/country and date of establishment/ incorporation and nature of the legal entity	Issued and fully paid share/registered capital	Equity interest attributable to the Group as at 31 December 2022	Equity interest attributable to the Group as at 31 December 2021	Principal activities
Transcenta Therapeutics (Guangzhou) Co., Ltd.* (創勝生物醫藥(廣州)有限公司) (note c)	The PRC 24 June 2020 Limited Liability Company	RMB42,000,000	**100%**	100%	Research, development and commercialization of innovative therapies
Transcenta Therapeutics (Hangzhou) Co., Ltd. (創勝生物醫藥(杭州)有限公司) (note c) *	The PRC 7 January 2022 Limited Liability Company	RMB10,000,000	**100%**	N/A	Research, development and commercialization of innovative therapies
Perfusion Biologics (Suzhou) Co., Limited (普福生物(蘇州)有限公司) (note b)	The PRC 6 July 2022 Limited Liability Company	US$10,000,000	**100%**	N/A	Research, development and commercialization of innovative therapies
Transcenta Therapeutics BV (Amsterdam) (note b)	Netherlands 21 December 2022	EUR18,000	**100%**	N/A	Research, development and commercialization of innovative therapies
Transcenta (Suzhou) Pharmaceutical Co., Ltd (蘇州創勝製藥有限公司) (note c)	The PRC 30 August 2022 Limited Liability Company	RMB60,000,000	**100%**	N/A	Research, development and commercialization of innovative therapies

Notes:

* English name for identification purpose only

a. This Company is a sino-foreign joint venture.

b. This Company is a wholly-foreign owned enterprise

c. This Company is a wholly-domestic owned enterprise.

d. *This Company was deregistered on 7 February 2023.*

All of the subsidiaries adopted 31 December as financial year end.

None of the subsidiaries has issued any debt securities as of 31 December 2022.

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40. RECONCILIATION OF ASSETS AND LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's assets and liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings RMB'000	Interest payables RMB'000	Financial liabilities at FVTPL RMB'000	Consideration payable for repurchase and cancelation of shares RMB'000	Consideration received for exercising share options RMB'000	Issuance of ordinary shares RMB'000	Lease liabilities RMB'000	Accrued issue costs RMB'000	Transaction cost payable for issuance of Preferred Shares RMB'000	Promissory note receivables RMB'000	Total RMB'000
At 31 December 2020	237,250	–	2,474,233	–	–	–	17,049	1,204	7,019	(87,335)	2,649,420
Financing cash flow	113,851	(14,705)	278,292	–	340	536,034	(5,688)	(21,393)	(7,019)	–	879,712
Share capital	–	–	–	–	–	(26)	–	–	–	–	(26)
Reserve	–	–	–	–	–	(536,008)	–	–	–	–	(536,008)
Finance cost	–	15,167	–	–	–	–	502	–	–	–	15,669
Promissory note interest income	–	–	–	–	–	–	–	–	–	(3,202)	(3,202)
New leases entered	–	–	–	–	–	–	9,053	–	–	–	9,053
Lease termination	–	–	–	–	–	–	(6,934)	–	–	–	(6,934)
Exchange difference	(372)	–	–	–	–	–	–	–	–	5,943	5,571
Fair value changes	–	–	1,198,173	–	–	–	–	–	–	–	1,198,173
Accrued issue costs	–	–	–	–	–	–	–	20,189	–	–	20,189
Automatic conversion of Preferred Shares upon IPO	–	–	(3,950,698)	–	–	–	–	–	–	–	(3,950,698)
At 31 December 2021	350,729	462	–	–	340	–	13,982	–	–	(84,594)	280,919
Financing cash flow	**52,871**	**(17,041)**	**–**	**(6,616)**	**502**	**–**	**(7,070)**	**–**	**–**	**4,077**	**26,723**
Share capital	**–**	**–**	**–**	**1**	**–***	**–**	**–**	**–**	**–**	**19**	**20**
Reserve	**–**	**–**	**–**	**6,614**	**(283)**	**–**	**–**	**–**	**–**	**84,442**	**90,773**
Finance cost	**–**	**17,155**	**–**	**–**	**–**	**–**	**481**	**–**	**–**	**–**	**17,636**
Promissory note interest income	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(163)**	**(163)**
Loss arising on revision of interest rate of promissory note receivables	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,299**	**3,299**
New leases entered	**–**	**–**	**–**	**–**	**–**	**–**	**467**	**–**	**–**	**–**	**467**
Exchange difference	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(7,080)**	**(7,080)**
At 31 December 2022	**403,600**	**576**	**–**	**(1)**	**559**	**–**	**7,860**	**–**	**–**	**–**	**412,594**

* Amount is less than RMB1,000.

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41. MAJOR NON-CASH TRANSACTIONS

On 25 November 2022, the Company entered into various promissory notes settlement agreements with related participated employees and directors, pursuant to which that the Company settled amounts due from related parties of RMB79,132,000 and promissory note receivables (included in trade and other receivables) of RMB5,329,000 with ordinary shares as disclosed in Note 32(v).

42. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Non-current assets		
Investment in subsidiaries	**615,406**	1,469,791
Amounts due from subsidiaries	**1,498,688**	1,262,460
Loan to a subsidiary	**141,404**	128,172
	2,255,498	2,860,423
Current assets		
Other receivables	**–**	8,576
Amounts due from related parties	**–**	76,129
Bank balances and cash	**561,204**	628,395
	561,204	713,100
Current liability		
Other payables	**5,305**	3,172
Net current assets	**555,899**	709,928
Total assets less current liability	**2,811,397**	3,570,351
Non-current liability		
Amounts due to subsidiaries	**–**	6,770
	–	6,770
Net assets	**2,811,397**	3,563,581
Capital and reserves		
Share capital	**272**	291
Treasury shares	**(9)**	(7)
Reserves	**2,811,134**	3,563,297
Total equity	**2,811,397**	3,563,581

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

42. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(Continued)*

Movement in the Company's reserves

	Share premium RMB'000	Share-based payment reserve RMB'000	Retained profits (accumulated losses) RMB'000	Total RMB'000
At 1 January 2021	289,770	46,089	46,837	382,696
Loss and total comprehensive expense for the year	–	–	(1,314,787)	(1,314,787)
Recognition of equity-settled share-based payment	–	30,578	–	30,578
Exercise of share options	2,256	(2,007)	–	249
Automatic conversion of Preferred Shares upon IPO	3,950,506	–	–	3,950,506
Issue of new shares pursuant to IPO	536,008	–	–	536,008
Transaction costs attributable to issuance of new shares	(21,953)	–	–	(21,953)
At 31 December 2021	4,756,587	74,660	(1,267,950)	3,563,297
Loss and total comprehensive expense for the year	**–**	**–**	**(678,207)**	**(678,207)**
Recognition of equity-settled share-based payment	**–**	**16,817**	**–**	**16,817**
Cancellation of shares repurchased	**(6,614)**	**–**	**–**	**(6,614)**
Cancellation of shares in relation to promissory note settlement	**(84,442)**	**–**	**–**	**(84,442)**
Exercise of share options	**452**	**(169)**	**–**	**283**
At 31 December 2022	**4,665,983**	**91,308**	**(1,946,157)**	**2,811,134**

43. SUBSEQUENT EVENT

On 26 January 2023, the board of directors of Company approved a total of 4,400,000 restricted share units being granted to Mr. Xiaolu Weng under Pre-IPO Equity Incentive Plan; a total of 4,277,188 restricted share units and 3,641,024 share options being granted to Dr. Qian under Post-IPO Share Award Scheme; and a total of 198,997 restricted share units and 4,853,181 share options being granted to Dr. Zhao under Post-IPO Share Award Scheme.

Four Year Financial Summary

Condensed Consolidated Income Statements

	For the year ended December 31,			
	2019 (RMB'000)	2020 (RMB'000)	2021 (RMB'000)	**2022 (RMB'000)**
Revenue	44,140	80,980	50,242	**101,892**
Cost of Sales	(37,226)	(62,778)	(40,874)	**(82,003)**
Gross Profit	6,914	18,202	9,368	**19,889**
Other income	7,554	11,944	32,906	**46,402**
Other gains and losses, net	(93,099)	26,745	(1,199,972)	**29,729**
Research and development expenses	(214,563)	(200,312)	(344,370)	**(349,781)**
Administrative and selling expenses	(122,918)	(157,949)	(145,215)	**(112,449)**
Listing expenses	–	(5,570)	(48,605)	**–**
Impairment losses under expected credit loss model	–	–	(1,641)	**–**
Share of results of a joint venture	–	–	(2,952)	**(23,145)**
Finance costs	(10,408)	(16,070)	(15,167)	**(17,636)**
Loss before tax	(426,520)	(323,010)	(1,715,648)	**(406,991)**
Income tax credit	(10,834)	110	105	**246**
Loss for the year	(437,354)	(322,900)	(1,715,543)	**(406,745)**
Other comprehensive (expense) income for the year	(266)	3,359	1,751	**(10,947)**
Loss and total comprehensive expenses for the year	(437,620)	(319,541)	(1,713,792)	**(417,692)**

Four Year Financial Summary

Condensed Consolidated Statements of Financial Position

	For the year ended December 31,			
	2019 (RMB'000)	2020 (RMB'000)	2021 (RMB'000)	**2022 (RMB'000)**
Current assets	487,945	891,457	1,395,602	**1,056,475**
Inventories	6,315	7,901	20,792	**20,566**
Trade and other receivables	18,721	31,635	43,380	**69,623**
Contract costs	4,809	38,329	33,275	**17,636**
Amounts due from related parties	–	–	76,129	**–**
VAT recoverable	–	–	–	**5,564**
Pledged bank deposits	–	–	–	**47,636**
Bank balances and cash	458,100	813,592	1,222,026	**895,450**
Current liabilities	149,979	194,537	425,810	**550,370**
Trade and other payables	49,562	88,690	101,964	**148,381**
Amount due to a director	708	–	268	**–**
Contract liabilities	16,576	7,029	35,967	**1,146**
Short-term overdrafts	79,820	91,312	273,339	**387,600**
Lease liabilities	3,313	7,506	6,272	**5,243**
Deferred income	–	–	8,000	**8,000**
Net current assets	337,966	696,920	969,792	**506,105**
Non-current assets	1,077,770	1,199,467	1,149,353	**1,078,070**
Non-current liabilities	2,051,896	2,712,632	153,576	**110,275**
Net assets (liabilities)	(636,160)	(816,245)	1,965,569	**1,473,900**
Total equity (deficits)	(636,160)	(816,245)	1,965,569	**1,473,900**

Definitions

"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Articles of Association"	the memorandum and articles of association of the Company adopted on June 18, 2021 with effect from the Listing Date, as amended from time to time
"AGM"	the annual general meeting of the Company to be held on Friday, June 9, 2023
"Audit Committee"	the audit committee of the Company
"Award"	the grant of Award Shares to the Eligible Persons in accordance with the terms of the Share Incentive Scheme
"Award Shares"	the Shares granted under the Share Incentive Scheme
"Board" or "Board of Directors"	the board of directors of our Company
"CDMO"	contract development and manufacturing organization
"CG Code"	the Corporate Governance Code set out in Appendix 14 of the Listing Rules, as amended, supplemented or otherwise modified from time to time
"China" or the "PRC"	the People's Republic of China, and for the purpose of this annual report only, except where the context requires otherwise, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
"CIC Report"	the report prepared by China Insights Industry Consultancy Limited (灼識企業管理諮詢(上海)有限公司), a market research and consulting company, an Independent Third Party
"CMC"	chemistry, manufacturing and controls processes in the development, licensure, manufacturing, and ongoing marketing of pharmaceutical products

Definitions

"Company", "our Company", "the Company" or "Transcenta"	Transcenta Holding Limited (創勝集團醫藥有限公司) (formerly named Mabspace International Limited), a limited liability company incorporated under the laws of the British Virgin Islands on August 20, 2010 and continued in the Cayman Islands on March 26, 2021 as an exempted company with limited liability under the laws of Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transactions"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of our Company
"FDA"	U.S. Food and Drug Administration
"Global Offering"	the Hong Kong Public Offering and the International Offering as defined and described in the Prospectus
"GMP"	good manufacturing practice, the regulations provided by the FDA that guide the design, monitoring, and maintenance of manufacturing facilities and processes
"Group", "our Group", "the Group", "we", "us" or "our"	the Company and its subsidiaries from time to time, and where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"Independent Third Party(ies)"	any entity or person who is not a connected person of our Company or an associate of such person within the meaning ascribed to it under the Listing Rules

Definitions

"IND"	investigational new drug or investigational new drug application, also known as clinical trial application in China
"Latest Practicable Date"	13 April 2023, being the latest practicable date for ascertaining certain information in this annual report before its publication
"IPO"	initial public offering
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	September 29, 2021, the date on which the Shares are listed and on which dealings in the Shares are fist permitted to take place on the Stock Exchange
"Listing Rules"	the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"NMPA"	National Medical Products Administration of China (國家藥品監督管理局), the successor of the China Food and Drug Administration (國家食品藥品監督管理總局), the State Food and Drug Administration (國家食品藥品監督管理局), and the State Drug Administration (國家藥品監督管理局)
"Nomination Committee"	the nomination committee of the Board
"Pre-IPO Equity Incentive Plan"	the employee equity plan approved and adopted by the Company and effective since January 1, 2019 (as amended from time to time)
"Prospectus"	the prospectus of the Company dated September 14, 2021

Definitions

"R&D"	research and development
"Remuneration Committee"	the remuneration committee of the Company
"Reporting Period"	the year ended December 31, 2022
"RMB" or "Renminbi"	Renminbi, the lawful currency of PRC
"Scheme Administrator"	the Board or the committee of the Board or person(s) to which the Board has delegated its authority (as applicable) to administer the Share Incentive Scheme in accordance with its rules
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share Incentive Scheme"	the Share Incentive Scheme conditionally adopted by the Company on June 18, 2021 and amended on November 4, 2022
"Share Incentive Scheme Limit"	44,551,933, the 10.0% of the total issued and outstanding Shares under Share Incentive Scheme as at November 4, 2022
"Share(s)"	ordinary share(s) in the share capital of the Company, currently with a par value of US$0.0001 each
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed to it thereto in section 15 of the Companies Ordinance
"substantial shareholder"	has the meaning ascribed to it in the Listing Rules
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US dollars", "U.S. dollars", "US$" or "USD"	United States dollars, the lawful currency of the United States
"%"	per cent