康希诺生物股份公司

CanSino Biologics Inc.

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

Stock Code: 6185

2021
ANNUAL REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. Xuefeng YU
(Chairman, chief executive officer and general manager)
Dr. Shou Bai CHAO
(Chief operating officer and deputy general manager)
Dr. Tao ZHU
(Chief scientific officer and deputy general manager)
Dr. Dongxu QIU
(Executive vice president and deputy general manager)
Ms. Jing WANG
(Chief commercial officer and deputy general manager)
(effective on October 11, 2021)

Non-executive Directors

Mr. Qiang XU *(ceased from September 10, 2021)*
Mr. Liang LIN
Ms. Nisa Bernice Wing-Yu LEUNG
Mr. Zhi XIAO

Independent Non-executive Directors

Mr. Shiu Kwan Danny WAI
Ms. Zhu XIN
Mr. Shuifa GUI
Mr. Jianzhong LIU

AUDIT COMMITTEE

Ms. Zhu XIN *(Chairwoman)*
Mr. Shiu Kwan Danny WAI
Mr. Shuifa GUI

REMUNERATION AND ASSESSMENT COMMITTEE

Mr. Shuifa GUI *(Chairman)*
Ms. Zhu XIN
Mr. Jianzhong LIU
Dr. Shou Bai CHAO
Mr. Liang LIN

NOMINATION COMMITTEE

Mr. Jianzhong LIU *(Chairman)*
Dr. Xuefeng YU
Mr. Shiu Kwan Danny WAI
Mr. Shuifa GUI
Ms. Nisa Bernice Wing-Yu LEUNG

SUPERVISORS

Ms. Jiangfeng LI *(Chairwoman)*
Dr. Zhongqi SHAO *(effective on May 28, 2021)*
Ms. Jieyu ZOU *(ceased from May 28, 2021)*
Ms. Zhengfang LIAO

AUTHORISED REPRESENTATIVES

Dr. Xuefeng YU
Mr. Ming King CHIU

JOINT COMPANY SECRETARIES

Mr. Jin CUI
Mr. Ming King CHIU *(FCG HKFCG (PE))*

HEADQUARTERS AND REGISTERED OFFICE IN THE PRC

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Hong Kong

HONG KONG H SHARE REGISTRAR

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The Landmark
15 Queen's Road Central
Hong Kong

PRC LEGAL ADVISER

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28 Fengsheng Lane
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AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors
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Hong Kong

STOCK CODE

Hong Kong Stock Exchange: 6185
Shanghai Stock Exchange: 688185

COMPANY WEBSITE

www.cansinotech.com

Financial Summary

In this report, “we”, “us” and “our” refer to the Company and where the context otherwise requires, the Group. Certain amounts and percentage figures included in this report have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

A summary of the operating results and of the assets and liabilities of the Group for the last five financial years is set out below:

	For the Year ended December 31,				
	2021	2020	2019	2018	2017
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Operating Results					
Revenue	**4,299,702**	18,544	–	1,132	–
Operating profit (loss)	**1,911,612**	(400,859)	(200,245)	(138,578)	(63,796)
Profit (loss) before income tax	**1,936,787**	(396,638)	(156,766)	(138,281)	(64,450)
Profit (loss) for the year and total comprehensive income (expense)	**1,907,086**	(396,638)	(156,766)	(138,281)	(64,450)
Earnings (loss) per Share					
Basic and diluted earnings (loss) per share (in RMB)	**7.74**	(1.72)	(0.77)	(0.90)	(0.45)

	As of December 31,				
	2021	2020	2019	2018	2017
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial Position					
Non-current assets	**2,584,343**	1,327,430	990,253	574,871	439,446
Current assets	**9,289,844**	5,420,643	794,245	221,004	426,918
Total assets	**11,874,187**	6,748,073	1,784,498	795,875	866,364
Total equity	**8,547,884**	6,070,854	1,470,516	502,317	607,332
Non-current liabilities	**451,361**	264,366	189,687	186,873	146,105
Current liabilities	**2,874,942**	412,853	124,295	106,685	112,927
Total liabilities	**3,326,303**	677,219	313,982	293,558	259,032
Total equity and liabilities	**11,874,187**	6,748,073	1,784,498	795,875	866,364

Chairman's Statement

Dear shareholders and stakeholders,

I would like to take this opportunity to express our gratitude for your continued support and present the milestones CanSinoBIO has reached over the past year, in the context that the global pandemic of COVID-19 enters the third year.

First and foremost, we are deeply honored that the significant value of Convidecia is recognized in China and overseas markets. We are thrilled to have our phase III clinical trial results of Convidecia fully disclosed and published in The Lancet, one of the world's most prestigious peer-reviewed medical journals, which further evidences the strong immune protection provided by our single dose COVID-19 vaccine. To date, Convidecia has been approved in various markets across multiple continents, including but not limited to China, Mexico, Pakistan, Hungary, Chile, Ecuador, Argentina, Malaysia, Kyrgyzstan and Indonesia. In addition, Convidecia has been approved in China to be used as a heterologous booster, making it the first adenovirus-vectored vaccine to be included in the heterologous vaccination program in China, and has also been approved for the use in heterologous prime-boost vaccination for COVID-19 in Argentina, Malaysia and Indonesia.

We strive to provide broader immune protection to Chinese population, and are immensely proud to have built Shanghai's first innovative vaccine manufacturing facility and became the first company with the capability to mass-manufacture and supply COVID-19 vaccines in Shanghai, one of China's most populous cities. To better fulfil delivery and distribution across the market, we also established a highly competent and deeply experienced commercial team, covering over 30 provinces and cities in the country.

Benefiting from this strong momentum and recognition of our products, we are pleased to announce that CanSinoBIO achieved a turnaround from loss to profit for the Reporting Period. For the year ended December 31, 2021, our total revenue increased over 23,000% to approximately RMB4.3 billion, and as of December 31, 2021, our total assets increased 76% to approximately RMB11.9 billion. As a result, both the equity attributable to shareholders of the Company and net asset per share attributable to shareholders of the Company increased by approximately 31.7% during the same period. In order to reward shareholders for the support and contribution to the Company, the Board of Directors also proposed a profit distribution plan for the year of 2021, and proposed to declare a final dividend to shareholders.

Since our inception, we have always been dedicated to contributing to disease prevention and control through cutting-edge solutions and innovation. Our achievements are not limited to our COVID-19 vaccines. Our MCV4 received NDA approval from the NMPA in less than a year after our MCV2's NDA approval. These approvals mark an important step in accelerating the development of China's meningococcal vaccine immunization strategy. Importantly, our meningococcal vaccines provide effective protection for a wide range of age groups, including for children aged 3 months to 3 years old, by inducing strong T cell immune responses and immunological memory for immunized children. Despite the adverse impact of COVID-19, we continued to make progress in developing PCV13*i* candidate as scheduled, initiated the enrollment of a phase III clinical trial in April 2021 and completed primary vaccination by the end of 2021.

With the ongoing uncertainties and challenges arising from the new COVID-19 variants, we remain committed to our mission of providing affordable, timely and mass immune protection to the global population, and will continue to collaborate with partners in the various sectors to improve vaccine access and have more people benefit from our technology breakthroughs. Together, we can empower people to lead a healthy and better life.

Dr. Xuefeng YU
Chairman and Chief Executive Officer

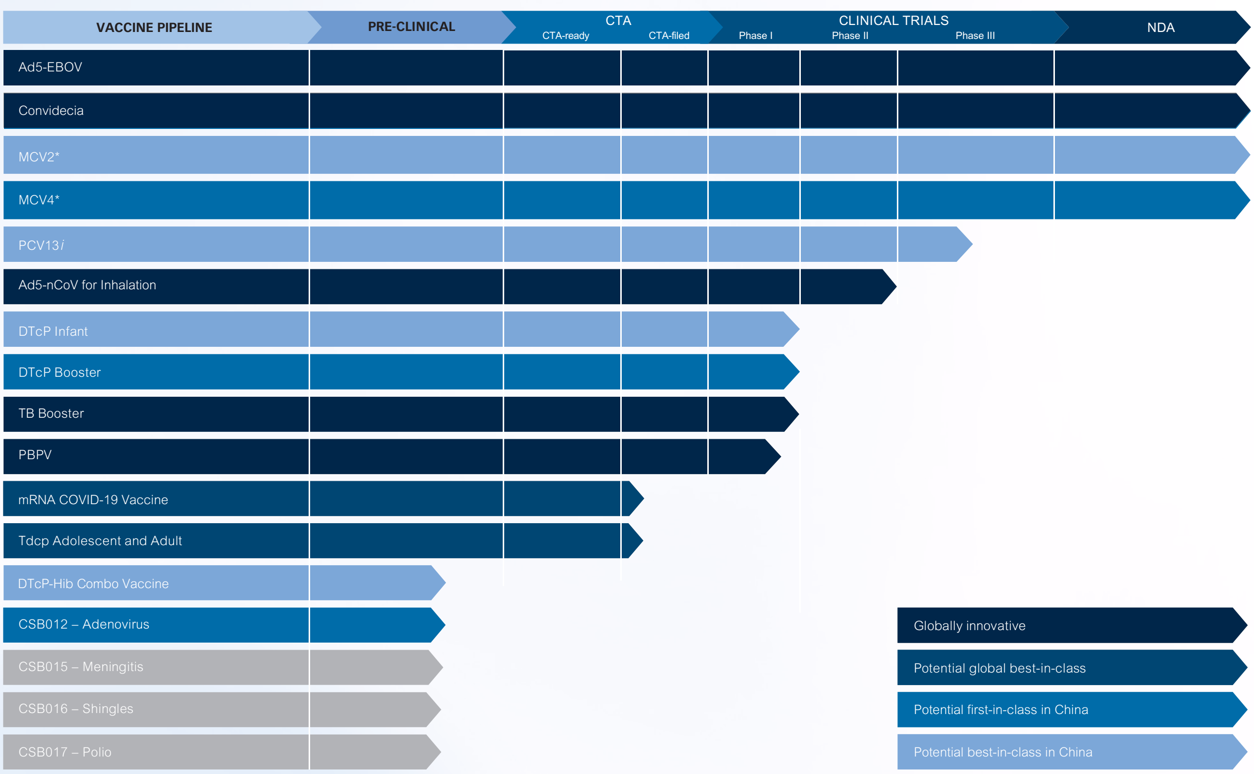
OVERVIEW

CanSinoBIO's mission is to develop, manufacture and commercialize high quality, innovative and affordable vaccines. Our mission is being fulfilled by an accomplished team of founders and senior management – world-class scientists with a record of leading the development of innovative international vaccines at global pharmaceutical companies. Other management members are also vaccine industry veterans from leading multi-national and domestic biologics companies.

Our vaccine pipeline, which is strategically designed to address the vast and underserved market worldwide, can be summarized into 3 categories: (i) globally innovative vaccines to serve the unmet medical needs worldwide (such as our Convidecia, Ad5-nCoV for Inhalation, Ad5-EBOV, our TB Booster candidate and PBPV candidate); (ii) potential first-in-class, domestic world-class vaccines with higher quality developed to replace the current primary vaccines in China (such as our MCV4, DTcP Infant and DTcP Booster vaccine candidates); and (iii) potential best-in-class vaccines in China developed to compete with the imported products in the PRC market (such as our MCV2 and PCV13*i* candidate).

We are developing 17 vaccine candidates for 12 disease areas. Since February 2021, our Convidecia has been granted emergency use authorization by various foreign countries including but not limited to Mexico, Pakistan, Hungary, Chile, Argentina, Ecuador, Kyrgyzstan and Indonesia, and has been granted the conditional marketing approval by the NMPA in the PRC and the conditional approval in Malaysia. Our MCV2 and MCV4 has been granted NDA approval by the NMPA for commercialization in PRC in June 2021 and December 2021, respectively. In addition to our Convidecia, MCV2, MCV4 and Ad5-EBOV, we have 8 vaccine candidates in clinical trial stage or CTA stage. We also have 5 pre-clinical vaccine candidates, including 1 combination vaccine candidate. As of the date of this report, except for Convidecia, MCV2 and MCV4, we have not commercialized any other products, and we cannot guarantee that we will be able to successfully develop and commercialize our drug candidates.

Our product pipeline is set out below as of the date of this report:



* denotes a core product

BUSINESS REVIEW

Highlights on our Business Development

During the Reporting Period and up to the date of this report, the Company made the following significant progress with respect to its product pipeline:

- **Clinical trials and commercialization for Convidecia**

  In February 2021, we have completed case accrual for the interim analysis of the phase III clinical trial of Convidecia and have been informed by the Independent Data Monitoring Committee that Convidecia has successfully met its pre-specified primary safety and efficacy criteria at this interim analysis.

  Since February 2021, our Convidecia has been granted emergency use authorization by various foreign countries including but not limited to Mexico, Pakistan, Hungary, Chile, Argentina, Ecuador, Kyrgyzstan and Indonesia, and has been granted the conditional marketing approval by the NMPA in the PRC and the conditional approval in Malaysia.

  In March 2021, the CTA for the Ad5-nCoV for Inhalation has been approved by the NMPA.

  In May 2021, the Hungarian National Institute of Pharmacy and Nutrition (OGYÉI) concluded the Company's compliance with the principles and guidelines of the European Union's GMP and issued a GMP certificate to the Company for Convidecia.

  In November 2021, Convidecia has been recommended by the Ministry of Health of Argentina on its official website to be used in Argentina's heterologous prime-boost vaccination program for COVID-19 as (a) a booster dose with a minimum interval of six months after the last dose of the primary regimen in healthcare personnel, adults 70 years and older and seniors; and (b) an additional dose with a minimum interval of one month after the last dose of the primary regimen in individuals who are immunocompromised and in adults 50 years and older who were previously vaccinated with inactivated vaccine.

  In December 2021, research findings of phase III clinical trials for Convidecia were published in The Lancet, showing that the efficacy of Convidecia has met the relevant technical standards laid out by the World Health Organization.

  In February 2022, as announced by the Joint Prevention and Control Mechanism of the State Council in Response to the Novel Coronavirus Pneumonia, Convidecia has been approved for the use in heterologous prime-boost vaccination for COVID-19 in China.

- **Clinical trial for PCV13*i***

  In April 2021, we have initiated the enrollment of a phase III clinical trial for our PCV13*i*.

- **NDA Approval for MCV2**

  In June 2021, our MCV2 (trade name: Menphecia) has been granted NDA approval by the NMPA in the PRC.

- **NDA Approval for MCV4**

  In December 2021, our MCV4 (trade name: Menhycia) has been granted NDA approval by the NMPA in the PRC.

Our Commercial Stage Products

Ad5-nCoV

Ad5-nCoV, a genetic engineered vaccine aiming at preventing COVID-19 disease, consists of 2 types of products, namely the Convidecia and the Ad5-nCoV for Inhalation. There are differences in the ways they are administered.

The Company has made significant progress in developing and commercializing Convidecia. In February 2021, Convidecia has successfully met the pre-specified primary safety and efficacy criteria at the interim analysis of the phase III clinical trial conducted by the Independent Date Monitoring Committee. Further in December 2021, research findings of phase III clinical trials for Convidecia were published in The Lancet, showing that the efficacy of Convidecia has met the relevant technical standards laid out by the World Health Organization. In the safety analysis, there was no serious vaccine-related adverse events or deaths among trial participants. One dose of Convidecia is efficacious and safe in healthy adults aged 18 years and older.

In terms of commercialization, in February 2021, NMPA has granted the conditional marketing approval for Convidecia in the PRC. Since February 2021, the Company's Convidecia has been granted emergency use authorization by various foreign countries, including but not limited to Mexico, Pakistan, Hungary, Chile, Argentina, Ecuador, Kyrgyzstan and Indonesia, and has been granted the conditional approval in Malaysia.

In late October 2021, the Company received the on-site inspections for the WHO Emergency Use Listing. Currently, the Company is closely working with the World Health Organization for the admission into the emergency use listing, and is preparing to apply for emergency use authorization for Convidecia in more foreign countries. With manufacturing facilities in different cities in China to supply Convidecia, Convidecia has entered into various domestic and foreign markets and will continue to be administered globally.

In February 2022, as announced by the Joint Prevention and Control Mechanism of the State Council in Response to the Novel Coronavirus Pneumonia, Convidecia has been approved for the use in heterologous prime-boost vaccination for COVID-19 in China. Target population aged 18 years or above who have completed the primary vaccination of inactivated COVID-19 vaccines produced by Beijing Institute of Biological Products Co., Ltd. (北京生物製品研究所有限責任公司), Sinovac Life Sciences Co., Ltd. (北京科興中維生物技術有限公司) or Wuhan Institute of Biological Products Co., Ltd. (武漢生物製品研究所有限責任公司) for 6 months may choose Convidecia as a one-dose heterologous booster vaccine.

As of the date of this report, Convidecia has been approved for the use in heterologous prime-boost vaccination for COVID-19 in Argentina, Malaysia and Indonesia.

During the Reporting Period, the Company has also developed Ad5-nCoV for Inhalation, which can not only stimulate humoral and cellular immunity, but also induce mucosal immunity to achieve tripe comprehensive protection efficiently without intramuscular injection. Ad5-nCoV for Inhalation has unique advantages of safety, effectiveness, painless, convenience and availability. The latest R&D results show that Ad5-nCoV for inhalation as a heterologous booster vaccine only requires a portion of the dosage of the intramuscular injection to achieve good safety and efficacy, which provide strong data support for the booster strategy of COVID-19 vaccines. In March 2021, the CTA for Ad5-nCoV for Inhalation has been approved by the NMPA. As of the date of this report, the Company has completed phase I and phase II clinical trials, and further clinical trials of Ad5-nCoV for Inhalation is ongoing with an aim of obtaining more data and exploring more vaccination strategies.

At the same time, the Company is developing an mRNA COVID-19 vaccine through its mRNA technology platform established in Shanghai, and is sparing no effort to obtain the CTA of the mRNA COVID-19 vaccine.

In view of the constant mutation of the SARS-CoV-2 virus and the ongoing COVID-19 pandemic, the Company is closely tracking variant mutant strains, including Beta, Delta and Omicron variants, at the same time developing more safe and efficient vaccination strategies.

MCV2

The Company's MCV2 is a potential China best-in-class bi-valent meningococcal vaccine, which competes with domestic MCV2 products marketed by well-known manufacturers in China. Compared with other primary MCV2 products currently approved in China, the phase III clinical trial showed that the Company's MCV2 demonstrated a superior safety profile in the age group of 3 months and superior immunogenicity in the age groups of 6 to 23 months.

The Company has been granted NDA approval by the NMPA in June 2021 for commercialization of MCV2 in the PRC. As of the date of this report, the Company has initiated the commercialization of its MCV2 in the PRC and has market access to nearly 20 provinces and municipalities through bidding with the highest price compared with similar products in the current market.

MCV4

The Company's MCV4 is a potential China first-in-class vaccine preventing meningococcal meningitis, and the first NDA approval in the PRC. The age groups of 3 months and 6 to 23 months were the primary age groups in the phase III clinical trial of MCV4. The results of clinical trials for the Company's MCV4 demonstrated good safety and immunogenicity. The Company's MCV4 has a superior safety profile in the control group. The Company's MCV4 is applied to (a) children in the age group of 3 to 5 months under three-dose immunization procedure starting from the age of 3 months with an interval of one month for each dose and a booster injection may be given at the age of 12 months; (b) children in the age group of 6 to 23 months under two-dose immunization procedure with an interval of one month to three months for each dose; or (c) children in the age group of 2 to 3 years old (47 months) under one-dose immunization procedure. Compared with existing products in this regards, the Company's MCV4 has significantly improved and upgraded the process by adopting the Company's synthetic vaccine technology as well as the formulation and delivery technology. The commercialization of our MCV4 will narrow the gap between China and developed countries and fill the vacancy of China's lack of high-end vaccine in this field.

In July 2020, the Company entered into a promotional service agreement with Pfizer Investment Co., Ltd. (輝瑞投資有限公司) ("Pfizer") to promote the MCV4 in the PRC after NDA approval. In December 2021, the Company's MCV4 has been granted NDA approval by the NMPA in the PRC. Currently, the Company is working closely with Pfizer to have market access to more provinces and municipalities in the PRC.

Ad5-EBOV

Ad5-EBOV uses adenovirus vector technology to induce the immune response. Ad5-EBOV is the first approved Ebola virus vaccine in China for emergency use and national stockpile. There is no other approved Ebola virus vaccine in China. Compared with the current vaccine and vaccine candidates, Ad5-EBOV has advantages including (i) it has a better stability profile attributable to its freeze-dried dosage form and is approved to be stored between 2°C to 8°C for 12 months; (ii) it is an inactive non-replicating viral vector vaccine with less safety concerns; and (iii) it is a potential broad spectrum protection vaccine against the Zaire Ebola virus.

Ad5-EBOV received NDA approval in China in October 2017 for emergency use and national stockpile. According to the NDA approval, the approved Ad5-EBOV contains 8.0×10^{10} viral particles per dose, and one dose (2 vials) is recommended for primary vaccination. The shelf life of Ad5-EBOV is 12 months. The Company has also obtained the GMP certificate for Ad5-EBOV.

Although the Company currently does not expect Ad5-EBOV to contribute significantly to its business commercially in the future, the development of Ad5-EBOV is the first successful application of our viral vector-based technology and another strong proof of our performance of shouldering social responsibility.

Candidates at clinical trial stage

PCV13*i*

The Company is developing a potential best-in-class improved PCV13 candidate, namely PCV13*i*, which is designed to compete with a world-class PCV13 product for children under 2 years old. The Company has made improvements in the conjugate design and manufacturing processes of its PCV13*i* candidate based on its proprietary conjugate vaccine manufacturing know-how.

The Company received the CTA approval for the PCV13*i* from the NMPA in April 2019 and has completed phase I clinical trial in 2020. In April 2021, the Company initiated the enrollment of a phase III clinical trial for PCV13*i* and completed primary vaccination in 2021. Despite the adverse impact of COVID-19, the Company continues to make progress in developing PCV13*i* candidate as scheduled. The Company expects that the phase III clinical trial for its PCV13*i* candidate will be completed in 2022.

PBPV

PBPV is a globally innovative pneumococcal vaccine candidate. Currently, PPV23 products and PCV13 products are all serotype-based and therefore are effective against only up to 23 pneumococcal serotypes but not able to protect against all of the 90 plus serotypes. The Company's PBPV candidate is not serotype-dependent. It adopts antigens that are based on the pneumococcal surface protein A, or PspA, a highly-conserved protein which is expressed by virtually all pneumococci. The results from a large global study showed that over 99% of the clinical isolates from seven different countries are classified as PspA family 1 or family 2 strains. The Company's in-house study also demonstrated that approximately 98% of the strains isolated in the city of Nanjing belong to PspA families 1 or 2. Therefore, the Company's PBPV candidate has the potential to have a much broader coverage in the elderly than that offered by the current PPV23 and PCV13 products.

The CTA for the Company's PBPV candidate was approved in October 2018. The Company has completed phase Ia clinical trial in 2020. The progress was delayed to a certain degree as most of the Company's resources have been allocated to support the Ad5-nCoV. The Company expects that the Ib/II clinical trial will be initiated in 2022.

DTcP Infant

The Company is developing a potential best-in-class DTcP vaccine for infants for primary vaccination. The manufacturing process of DTaP vaccines involves copurification of the pertussis antigens, which results in the quantities of each pertussis antigen varying from batch to batch. In contrast, each pertussis antigen of DTcP vaccines is purified individually and are subsequently combined in a defined ratio, hence ensuring a fixed and consistent composition. Compared with Pentaxim, the only DTcP vaccine in PRC, the Company's DTcP Infant candidate contains three pertussis antigens as compared to two pertussis antigens, which translates to better protection.

The Company received the CTA approval for its DTcP Infant candidate in January 2018 and has completed a phase I clinical trial in the PRC in 2020.

The Company expects that a phase III clinical trial for its DTcP Infant candidate will be initiated in 2022.

DTcP Booster

There are no DTP booster vaccines for children in China. The Company's DTcP Booster candidate is a potential China first- in-class DTcP booster vaccine for children, which is designed to have the same composition as the Company's DTcP Infant candidate and therefore has the same safety, immunogenicity and manufacturing productivity profiles.

The Company received CTA approval for its DTcP Booster candidate in January 2018 and has completed a phase I clinical trial in the PRC in 2020. The progress was delayed to a certain degree as most of the Company's resources have been allocated to support the Ad5-nCoV. The Company expects that the phase III clinical trial for its DTcP Booster candidate will be initiated in 2022.

Tdcp Adolescent and Adult

Tdcp vaccines for adolescents and adults are in the routine vaccination schedule of developed countries. However, there are no approved Tdcp vaccines for adolescents and adults in China. The Company's Tdcp Adolescent and Adult candidate is a potential global best-in-class vaccine developed to compete against world-class vaccines such as Boostrix and Adacel.

The Company plans to conduct overseas clinical trials for its Tdcp Adolescent and Adult candidate first and then submit clinical trial applications in the PRC. The progress was slower than expectation due to the impact of COVID-19 pandemic. The Company expects to initiate clinical trials in 2023.

TB Booster

The Company is developing a globally innovative TB Booster candidate for the Bacillus Calmette-Guerin-vaccinated population. The phase Ia clinical trial showed the Ad5Ag85A TB candidate to be safe and well tolerated, and able to boost the immunity in the Bacillus Calmette-Guerin-vaccinated population. The Company obtained a world-wide exclusive license from McMaster University to develop and commercialize products in the tuberculosis field based on technology information rights owned by McMaster University related to TB Booster and its phase I clinical trial, as well as a non-exclusive sub-license to relevant adenovirus patent rights licensed to McMaster University.

In 2021, the phase Ib clinical trial was completed in Canada to evaluate the safety and immune responses stimulated by the TB Booster candidate in the blood and lungs. The progress was slower than expectation due to the impact of COVID-19 pandemic.

Pre-Clinical Programs with Proof of Concept

The Company has various vaccine candidates in pre-clinical programs, including but not limited to 1 combination vaccine candidate and 4 disease-specific vaccine candidates targeting shingles, meningitis, polio, and adenovirus. The Company will update in due course if there is material progress in respect of these pre-clinical programs.

Other Corporate Development

The Company is establishing an mRNA technology platform in Shanghai, and will layout a variety of innovative preventive vaccine product pipelines with proprietary intellectual property rights and focus on the development of preventive and therapeutic vaccine products. Compared with traditional vaccine technology platforms, the mRNA technology industrialized platform has significant advantages in R&D process and production cycles. Upon completion, such platform is expected to be of great value as a domestic substitute for those provided by leading international biopharmaceutical companies in this field.

In addition, during the Reporting Period, with the commercialization of our vaccine products, the Company gradually established a sales and marketing network to introduce the features of its products and the latest academic trends in relevant fields through various academic and marketing activities, and has helped doctors in centers for disease control and prevention use its products properly, which helped establish a good brand image of the Company. At the same time, the Company focuses on professional academics and customer needs. When formulating sales and marketing plans, the Company fully investigates and understands the accurate requirements of doctors and real needs of vaccine recipients, and strictly complies with relevant laws and regulations in setting brand promotion information and producing promotional materials through a strict medical compliance review mechanism.

The Group's Facilities

To date, the Group's manufacturing activities focus on commercialization and product registration. The Group's manufacturing facility is equipped with advanced equipment and machinery include fermentation, purification, conjugation, and ultrafiltration, auto-packaging and filling machinery.

The Group owns and operates a commercial-scale manufacturing facility located in Tianjin city currently for the manufacture of, among other things, its MCV2 and MCV4. For commercialization of Ad5-nCoV, the Company has built a manufacturing facility located in Tianjin, and has also worked with Shanghai Pharma to build a manufacturing facility located in Shanghai. For further information in relation to the Company's cooperation with Shanghai Pharma, please refer to the section headed "Significant Investments, Material Acquisitions and Disposals" below. In addition, the Company will consider seeking business cooperation to deliver additional capacity needs when necessary.

Taking into account the development trend of vaccine industry since the outbreak of COVID-19 pandemic, the Group keeps improving its capabilities of R&D, manufacturing, testing and storage. The Group has initiated the construction of CanSino Innovative Vaccine Industrial Campus Project with part of the proceeds from A Share Offering, aiming to enhance the manufacturing capacity to satisfy its long-term development strategies. For details, please refer to the circular of the Company published on the website of Hong Kong Stock Exchange dated May 12, 2021 in relation to the proposed change in use of proceeds from A Share Offering.

Intellectual Property

As of December 31, 2021, the Company owned 126 trademarks, including 54 in China, 6 in Hong Kong, 5 in Taiwan, 1 in the European Union, 2 in the United States and 58 in other countries and regions. As of the same date, the Group had filed 9 trademark applications in China and 36 in other countries and regions, and also filed trademark applications through Madrid International Trademark System.

As of December 31, 2021, the Company owned 27 patents in China, 3 patents in the United States and 1 patent in the European Union. As of the same date, the Group had filed 15 patent applications in China, 2 patent applications in the European Union and 1 patent application in the United States.

Employees and Remuneration Policies

As of December 31, 2021, the Group had a total of 1,946 employees, and approximately 67% of the employees held a bachelor's or higher degree. The Company has developed a remuneration and welfare management system that provides employees with competitive remuneration and five types of social insurances and housing fund for employees in strict compliance with the relevant laws and regulations, and provides additional comprehensive benefit insurance.

Future and Outlook

CanSinoBIO's mission is to develop, manufacture and commercialize high quality, innovative and affordable vaccines. To accomplish the mission, we will prioritize our response to COVID-19 pandemic, and spare no effort to further commercialize our Ad5-nCoV domestically and globally. We will continue to commercialize our MCV2 and MCV4, and develop our clinical trial stage assets through our in-house R&D and medical/clinical teams. Also, we will continue to discover and develop new vaccine candidates through both in-house R&D and external collaborations. We will continue to evaluate possible global collaborations and acquisitions of high-potential assets related to vaccines and biological products. In addition, we will further expand our sales and marketing team to strengthen the sales of our commercialized products.

Although the vaccination of COVID-19 vaccines is ongoing worldwide, the spread of variant still poses a threat to global public health. Thus, the pandemic may continue to have an impact on our business operations to varying degrees. On one hand, it may lead to further commercialization of our Ad5-nCoV, and on the other, it may cause delays in the clinical trials, construction of facilities, regulatory approvals, and even commercialization of our other vaccine candidates. It is difficult to estimate the duration of the pandemic and the safety, efficacy and availability of vaccines and treatments for COVID-19 in the upcoming months given the volatile nature of these circumstances. Thus, we are unable to accurately predict the extent of the impact of the pandemic on our business operations. The Company will focus on all aspects of our business operations and will react actively to the impacts.

FINANCIAL REVIEW

Revenue

For the year ended December 31, 2021, we recorded a total revenue of approximately RMB4,299.7 million (2020: RMB18.5 million), which is mainly attributable to the conditional marketing authorization and emergency use authorizations obtained for Convidecia in the PRC and various foreign countries during the Reporting Period.

During the Reporting Period, the revenue by geographical segment is as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Geographical markets		
The PRC	**1,242,580**	18,544
Overseas	**3,057,122**	–
Total	**4,299,702**	18,544

Gross profit

For the year ended December 31, 2021, we recorded a gross profit of approximately RMB3,003.2 million (2020: RMB4.7 million), mainly because the sales of our vaccine products increased significantly, which had a positive impact on gross profit. We achieved a turnaround from loss to profit for the year ended December 31, 2021.

Other Income

Our other income decreased by 47.1% from approximately RMB114.9 million for the year ended December 31, 2020 to approximately RMB60.8 million for the year ended December 31, 2021. Our other income primarily consisted of (i) investment income on structured deposits that we purchased from certain reputable commercial banks, and (ii) government grants.

Selling Expenses

Our selling expenses increased from approximately RMB16.6 million for the year ended December 31, 2020 to approximately RMB105.8 million for the year ended December 31, 2021. The selling expenses increased primarily due to the increase in employee benefit expenses and marketing expenses as a result of our continuous efforts in promotion of vaccine commercialization.

Administrative Expenses

Our administrative expenses increased from approximately RMB82.9 million for the year ended December 31, 2020 to approximately RMB231.8 million for the year ended December 31, 2021, primarily due to an increase of approxiamtely (i) RMB85.4 million in employee benefit expenses, (ii) RMB26.8 million in professional service fee (including auditors' remuneration), and (iii) RMB16.9 million in utilities and office expenses, as a result of the fast expansion of our business.

R&D Expenses

Our R&D expenses increased by 105.1% from approximately RMB428.5 million for the year ended December 31, 2020 to approximately RMB878.7 million for the year ended December 31, 2021, primarily due to an increase of approximately (i) RMB387.7 million in clinical trial and testing fee for the R&D of our vaccines, and (ii) RMB14.4 million in raw materials and consumables used, which is generally in line with our increasing R&D activities and business growth.

The following table sets forth the components of our R&D expenses for the years indicated:

	Year ended December 31,			
	2021		2020	
	RMB'000	%	RMB'000	%
Clinical trial and testing fee	585,907	66.6	198,167	46.2
Employee Benefit expenses	119,445	13.6	120,911	28.2
Raw materials and consumables used	84,077	9.6	69,656	16.3
Depreciation and amortization	27,873	3.2	23,951	5.6
Others	61,416	7.0	15,800	3.7
Total	878,718	100.0	428,485	100.0

Finance Income – Net

Our net finance income increased significantly from approximately RMB4.2 million for the year ended December 31, 2020 to approximately RMB25.2 million for the year ended December 31, 2021, primarily due to an increase of approximately RMB47.9 million in interest income offset by an increase of approximately RMB20.4 million in interest expenses and an increase of approximately RMB6.4 million in exchange losses.

Income Tax Expense

Our income tax expense for the year ended December 31, 2021 was RMB29.7 million (2020: nil), primarily due to the current income tax expense booked for the taxable profit generated during the year ended December 31, 2021.

Intangible Assets

Our intangible assets were approximately RMB99.8 million as of December 31, 2021 which primarily represented the capitalized clinical trial expenses and non-proprietary technologies (December 31, 2020: approximately RMB36.8 million).

Inventories

Our inventories comprised finished goods, goods shipped in transit, work in progress, raw materials outsourced for processing, raw materials and consumable materials purchased for production and R&D activities. Our inventories increased significantly from approximately RMB170.5 million as of December 31, 2020 to approximately RMB875.6 million as of December 31, 2021, primarily due to the increase in procurement of raw materials and consumable materials to cope with our increasing R&D activities and manufacture activities.

Trade Receivables

Our trade receivables increased significantly from approximately RMB21.6 million as of December 31, 2020 to approximately RMB157.9 million as of December 31, 2021, primarily due to the increased sales achieved during the Reporting Period.

Other Receivables and Prepayments

The following table sets forth the components of our other receivables and prepayments as of the dates indicated:

	As of December 31, 2021 RMB'000	As of December 31, 2020 RMB'000
Prepayments to suppliers of raw materials and services	**378,551**	114,067
Prepayments to suppliers of intangible assets and property, plant and equipment	**119,064**	35,262
Value added tax recoverable	**75,688**	72,427
Others	**22,511**	845
	595,814	222,601
Less: non-current portion	**(122,423)**	(107,778)
Current portion	**473,391**	114,823

Our other receivables and prepayments increased from approximately RMB222.6 million as of December 31, 2020 to approximately RMB595.8 million as of December 31, 2021, which was primarily due to an increase of approximately (i) RMB264.5 million in prepayments to suppliers of raw materials and services; and (ii) RMB83.8 million in prepayments to suppliers of intangible assets and property, plant and equipment.

Trade Payables

Our trade payables mainly included payments to be paid to raw material suppliers. The following table sets forth the aging analysis of our trade payables presented based on the date of receipt of goods or services:

	As of December 31, 2021 RMB'000	As of December 31, 2020 RMB'000
Within 1 year	**842,495**	60,420
Between 1 year and 2 years	**69**	10
Between 2 years and 3 years	**3**	31
More than 3 years	**–**	112
	842,567	60,573

Our trade payables increased significantly from approximately RMB60.6 million as of December 31, 2020 to approximately RMB842.6 million as of December 31, 2021, which is generally in line with our business growth. We did not have any material defaults in payment of trade payables for the year ended December 31, 2021.

Other Payables and Accruals

The following table sets forth the components of our other payables and accruals as of the dates indicated:

	As of December 31, 2021 RMB'000	As of December 31, 2020 RMB'000
Other payables to suppliers of property, plant and equipment	**305,865**	135,722
Payroll and welfare payable	**222,720**	71,862
Clinical trial and testing fee	**102,692**	78,677
Accrued taxes other than enterprise income tax	**5,391**	1,159
Consulting fees	**4,277**	1,731
Deposits from suppliers	**686**	35
Others	**42,889**	10,542
	684,520	299,728

Our other payables and accruals increased by 128.4% from approximately RMB299.7 million as of December 31, 2020 to approximately RMB684.5 million as of December 31, 2021, primarily due to an increase of approximately (i) RMB170.1 million in other payables to suppliers of property, plant and equipment, (ii) RMB150.9 million in payroll and welfare payable, and (iii) RMB24.0 million in clinical trial and testing fee.

Financial Resources, Liquidity and Capital Structure

We adopt a prudent financial management approach for our treasury policy to ensure that our liquidity structure comprising assets, liabilities and other commitments is able to meet our capital requirements.

Our cash and cash equivalents increased by 22.7% from approximately RMB4,447.0 million as of December 31, 2020 to approximately RMB5,456.9 million as of December 31,2021, which is primarily attributable to the increase in cash inflow from growth in sales revenue during the Reporting Period. We are of the view that our financial resources are sufficient for our daily operations.

Our capital comprises H Shares and A Shares. Total equity attributable to owners of the Company amounted to approximately RMB7,995.0 million as of December 31, 2021, representing an increase of 31.7% from that of approximately RMB6,070.9 million as of December 31, 2020, which was primarily attributable to the increased profits during the Reporting Period.

Particulars of term deposits with initial term of over three months, cash and cash equivalents and borrowings of the Group as of December 31, 2021 are set out in note 22, 23 and 26 to the consolidated financial statements.

Investment in Financial Assets

With regard to capital management, based on the principles of prudence and soundness, we generally choose principal-protected structured deposits and wealth management products with interest rates higher than those of bank deposits for the same period to maximize our capital gains. As of December 31, 2021, we held structured deposits of RMB1,821.8 million and wealth management products of RMB40.6 million issued by banks in China, among which, we have outstanding structured deposits of Shanghai Pudong Development Bank Co., Ltd. in a principal amount of RMB1.1 billion as of December 31, 2021, representing over 5% of our total assets as of the end of the Reporting Period. The annual interest rate of structural deposits and wealth management products purchased during the year ended December 31, 2021 varied from 3.00% to 4.50%. Such structural deposits and wealth management products have a maturity period ranging from 32 days to 273 days and are non-cancellable before maturity.

Significant Investments, Material Acquisitions and Disposals

In January 2021, the Company, Shanghai Sunway Biotech (a subsidiary of Shanghai Pharma) and Industry Investment Fund entered into a joint venture agreement in respect of the formation of CanSino SPH. CanSino SPH is a limited liability company established in the PRC in February 2021, and is principally engaged in the research, development and manufacture of vaccines and other biomedical products. CanSino SPH was an insignificant subsidiary of the Company after its formation as a result of a concert party agreement entered into by and between the Company and Industry Investment Fund. On May 17, 2021, the Company, Shanghai Sunway Biotech and CanSino SPH entered into the capital increase agreement in relation to the Capital Increase in CanSino SPH, pursuant to which, the Company and Shanghai Sunway Biotech agreed to increase the registered capital of CanSino SPH from RMB100,000,000 to RMB1,204,890,000 by way of capital contribution of an amount of RMB555,000,000 and RMB549,890,000 into CanSino SPH by the Company and Shanghai Sunway Biotech, respectively. Upon completion of the Capital Increase (which took place in early June 2021), CanSino SPH remained as a subsidiary and was owned as to approximately 49.8% by the Company, approximately 49.0% by Shanghai Sunway Biotech and approximately 1.2% by Industry Investment Fund as of the date of this report. The capital contributed by the Company and Shanghai Sunway Biotech under the Capital Increase is expected to be used to upgrade the manufacture facilities, hire technical and manufacture personnel, procure manufacture machines and equipment, and purchase raw materials, which will allow CanSino SPH to rapidly build up its manufacture lines and hire sufficient experienced personnel for the manufacture of Ad5-nCoV, so as to meet the worldwide needs of COVID-19 vaccines. For details, please refer to the announcements of the Company published on the website of Hong Kong Stock Exchange dated May 17, 2021 and June 1, 2021, respectively.

Save as disclosed above, we did not make any other significant investments, material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period (2020: nil).

Future Plans for Material Investments or Capital Assets

As of the date of this report, we plan to invest approximately RMB2,244.7 million into the CanSino Innovative Vaccine Industrial Campus Project. For details, please refer to the section headed "Use of Proceeds From Listing of H Shares and A Share Offering".

Saved as disclosed above, we did not have any concrete future plans for material capital expenditure, investments or capital assets as of the date of this report. The Company will make further announcement in accordance with the Hong Kong Listing Rules, where applicable, if any investments and acquisition opportunities materialize.

Contingent Liabilities

As of December 31, 2021, we were not involved in any material legal, arbitration or administrative proceedings that, if adversely determined, and did not have any contingent liabilities that we expected, would materially adversely affect our business, financial position or results of operations.

Capital Commitments

Our capital commitments as of December 31, 2021 were approximately RMB311.7 million, representing an increase of 72.7% from the capital commitments of approximately RMB180.5 million as of December 31, 2020, primarily due to the construction of manufacture facilities to meet our manufacture and operation needs.

Charge on Assets

As of December 31, 2021, certain of our property, plant and equipment have been pledged as collateral under the Group's borrowing arrangements with banks. The carrying amount of property, plant and equipment pledged as collateral were approximately RMB340.9 million as of December 31, 2021 (December 31, 2020: approximately RMB275.5 million).

As of December 31, 2021, certain of our land use rights have been pledged as collateral under our borrowing arrangements with banks. The carrying amount of land use rights pledged as collateral were approximately RMB10.1 million as of December 31, 2021 (December 31, 2020: approximately RMB10.4 million).

Saved as disclosed above, there were no other charges on our assets as of December 31, 2021.

Exchange Rate Risk

Our Group mainly operates in the PRC with most of the transactions settled in RMB and USD. Our Group is exposed to fluctuations in foreign exchange risk to a certain degree as there are financial assets or liabilities of the Group denominated in the currencies other than the functional currency, including (i) the cash and term deposits at bank in U.S. dollars and HKD which were primarily received from the investors as capital contributions, (ii) the trade receivables generated from overseas customers, and (iii) the trade payables and other payables to overseas suppliers. During the Reporting Period, we have entered into agreements with a commercial bank in China to hedge the foreign exchange risk exposure of USD50 million cash and cash equivalents. Besides, as of the date of this report, we have established a foreign currency hedging policy and have been closely monitoring foreign exchange exposure and will consider hedging significant foreign exchange exposure of the Group should the needs arise.

Gearing Ratio

Gearing ratio is calculated using interest-bearing borrowings less cash and cash equivalents and term deposits with initial term of over 3 months, divided by total equity and multiplied by 100%. As of December 31, 2021, our Group was in a net cash position and thus, gearing ratio is not applicable.

Directors, Supervisors and Senior Management

EXECUTIVE DIRECTORS

Xuefeng YU, aged 58, is a co-founder of our Company. Dr. Yu was appointed as an executive Director in January 2009. He has also served as chief executive officer since January 2009. He is also currently a member of Nomination Committee. He is primarily responsible for overseeing strategic development, overall operations and management and major decision-making of our Group. In addition, Dr. Yu is also responsible for managing the commercial operation center of our Company. Dr. Yu obtained a bachelor's degree in Biology and a master's degree in Microbiology from Nankai University in July 1985 and June 1988, respectively. He obtained a Ph.D in Microbiology from McGill University in June 1998. He has more than 30 years' experience in biotech R&D. Prior to founding our Company, Dr. Yu worked for Sanofi Pasteur Limited., one of the world's leading vaccine companies since May 1998 as a product development scientist, director of the Canadian division of bacterial vaccine development and global director of bacterial vaccine development. Before joining Sanofi Pasteur Limited., Dr. Yu worked for IBEX Biotechnologies Inc. (a company listed on Toronto Stock Exchange Venture Exchange, ticker symbol: IBT) as a scientist responsible for development of therapeutic enzymes from 1996 to 1998. Dr. Yu has extensive experience in the development of biological products, enterprise operation and management. He led the introduction of a new recombinant TB vaccine candidate from McMaster University in Canada, which has been supported by Aeras Global TB Vaccine Foundation and the Ministry of Science and Technology of China. He also led the introduction of adenovirus vector cell lines and related production technologies from the National Research Council of Canada, which laid the foundation for the development of vaccines such as Ad5-EBOV and Ad5-nCoV. For more than 10 years, Dr. Yu has attracted senior talents from the vaccine industry in China and abroad to assemble a team of cutting-edge experts for the Company. Under his leadership, the Company has developed a rich pipeline for 17 vaccines covering 12 infectious diseases, of which Ad5- EBOV was approved in 2017, making it the world's first approved Ebola virus vaccine. Dr. Yu also plays a critical role in the development of COVID-19 vaccine. NMPA has granted the conditional marketing authorization for Convidecia on February 25, 2021, making Convidecia the first approved adenovirus vector COVID-19 vaccine in China. As the Chairman and CEO of the Company, Dr. Yu has strategically positioned the Company to become a China and Hong Kong dually listed company from the perspective of corporate development, raising significant amount of proceeds to support Company's development. He is highly respected by investment community. At the same time, Dr. Yu also led the construction of the Company's first vaccine production facility with nearly 100 million doses production capacity. Its design, construction and operation is in line with domestic and international GMP standards.

Shou Bai CHAO, aged 59, was appointed as an executive Director in June 2018 and chief operating officer in May 2018. He is also currently a member of Remuneration and Assessment Committee. He is primarily responsible for the management of daily operations and strategy development of our Group. In addition, Dr. Chao also oversees production management, quality control, supply chain management and engineering project management. In July 1982, Dr. Chao received a bachelor's degree in inorganic chemical engineering from Jiangxi Institute of Technology (currently known as Nanchang University), a master's degree in chemical metallurgy from the Chinese Academy of Sciences in July 1985, and a Ph.D in biochemical engineering from the University of Waterloo, Canada in October 1992. With over 30 years' experience in the biotechnology industry, prior to joining the Company, he worked for Sanofi Pasteur, Pfizer, AstraZeneta and other world-renowned multinational pharmaceutical companies, serving as technical and senior management positions. He has extensive experience in R&D, production, supply chain, quality assurance and commercialization in the field of vaccines and biopharmaceuticals, especially in large-scale industrial production management and global commercial operations. Dr. Chao has presided over the production and launch of the world's first pneumococcal conjugate vaccine (Prevnar, with global sales of $6.2 billion in 2017), the first H1N1 influenza vaccine and other important biopharmaceutical vaccine products. He has a deep understanding of global GMP regulations. He established a global biopharmaceutical large-scale commercial production system and facilities for AstraZeneca during the time when he served as senior vice president of global biopharmaceuticals of AstraZeneca, which successfully obtained approval from the U.S. Food and Drug Administration and the European Medicines Agency. The system and facilities were named the best production facilities by International Society for Pharmaceutical Engineering (ISPE) in 2011. With Dr. Chao's leadership, our Company has built a strong operation team. Since joining the Company, Dr. Chao has made outstanding contributions to the Company's IPO and financing, development and production of the COVID-19 vaccine and meningococcal combined vaccines, and the establishment of a talent system.

In the COVID-19 vaccine project, Dr. Chao led the commercial scale manufacturing, quality system management, talent system establishment and team Expansion, to ensure that the Company launched a safe and effective, high quality COVID-19 vaccine efficiently. In addition, Dr. Chao also led in the large scale production of COVID-19 vaccines to ensure its supply.

Tao ZHU (朱濤), aged 49, is a co-founder of our Company. Dr. Zhu was appointed as an executive Director in January 2009 and has served as the chief scientific officer since January 2009. He is primarily responsible for leading vaccine R&D of our Group. In addition, Dr. Zhu is also responsible for domestic registration and clinical affairs. Dr. Zhu received a bachelor's degree in biological sciences and technology from Tsinghua University in July 1995, a master's degree in chemical engineering from Tsinghua University in June 1998, a Ph.D in chemical engineering from University of Pittsburgh in April 2003, and then he conducted a postdoctoral study at Carnegie Mellon University in the United States before October 2004. Dr. Zhu has more than 20 years of experience in vaccine R&D and production. Prior to founding the Company, Dr. Zhu worked as a scientist at Integrated Genomics Inc. from December 2004 to December 2005, and joined Sanofi Pasteur in January 2006, where he served as a senior scientist when he left the company in November 2008. After the Company was founded, Dr. Zhu led the establishment of the world-class level four major R&D technology platforms. He established a pipeline composed of more than ten new vaccines relying on the technology platforms, covering pneumonia, tuberculosis, Ebola virus disease, meningitis, DPT and a series of diseases. Together with external experts, Dr. Zhu led the team in developing the Ebola virus disease vaccine Ad5-EBOV, which has obtained the registration certificate of class I new biological products and is an innovative recombinant vaccine product independently developed in China with fully independent intellectual property rights. After the outbreak of COVID-19, Dr. Zhu once again worked with external experts to develop the COVID-19 vaccines, and make the vaccine globally leading in development speed and clinical trial results. In addition, Dr. Zhu led the development of two new meningococcal binding vaccine, which has been commercialized to fill the vacancy in the domestic market. In addition, the Company also has recombined pneumonia protein vaccine, 13-price pneumococcal binding vaccine, the component DPT vaccine, recombined tuberculosis vaccine and other innovative vaccines that are in clinical trial stage. Dr. Zhu has 10 patents of inventions in China and abroad.

Dongxu QIU, aged 62, is a co-founder of our Company. He was appointed as an executive Director in January 2009, and served as senior vice president from January 2009. He has been the executive vice president of the Company since January 2021. Dr. Qiu has been serving as the chairman of CanSino SPH, a subsidiary of the Company, since February 2021. He is primarily responsible for advising on the business and strategic development of our Group. Dr. Qiu graduated from Shenyang Institute of Medicine (now known as Shenyang Pharmaceutical University) in July 1982, obtained a bachelor's degree in pharmacy, and obtained a Ph.D in pharmacy from Beijing Medical University (now known as Peking University Health Science Center) in December 1987. From November 1989 to April 1991, he continued his postdoctoral study in chemical engineering in the University of Konstanz in Germany and continued the study at the University of Montreal in Canada from May 1992 to January 1993. Dr. Qiu also received the MBA degree from the University of Western Ontario in Canada in October 2000. Dr. Qiu has nearly 30 years' experience in the biotechnology industry. Prior to founding our Company, from January 1993 to April 1998, he was a research scientist at Biomira. Inc. From 1999 to 2000, he served as associate director of product operations at Altarex Inc., responsible for analytical development and product formulation. Dr. Qiu became head of scientific operations at ARIUS Research Inc. from 2000 to 2002, president of Asia at MDS Capital from May 2003 to September 2005, advisor at Shanghai Jima Pharmaceutical Technology Co., Ltd. from 2006 to 2009, and general manager at ChinaBio LLC from March 2007 to April 2011. Dr. Qiu is currently a director of Suzhou GenePharma Co., Ltd. (蘇州吉瑪基因股份有限公司). After the founding of the Company, Dr. Qiu has led several rounds of corporate financing as well as the technology transfers of PCV13 and PPV23. He also promoted the successful completion of the listing of the A Shares and H Shares of the Company. At the same time, Dr. Qiu comprehensively promoted the overseas clinical work of the COVID-19 vaccine, and personally went to countries such as Pakistan and Mexico to carry out international multi-center phase III clinical trials, ensuring the smooth progress of overseas clinical trials.

Directors, Supervisors and Senior Management

Jing WANG (王靖), aged 41, was appointed as an executive Director in October 2021. She has served as chief commercial officer and deputy general manager of the Group since September 2021. Ms. Wang has been serving as a director of CanSino SPH, a subsidiary of the Company, since February 2021. Ms. Wang has served as chief financial officer of the Company from March 2020 to September 2021, and the secretary of the Board from February 2017 to September 2021. She is responsible for the management of overall commercial operation of the Group. Ms. Wang holds a bachelor degree in economics and a master degree in engineering of Peking University. Ms. Wang has nearly 20 years of experience in the pharmaceutical industry. She is good at capital market operation, strategic financing, financial management, domestic and foreign marketing, corporate management, etc. After joining the Company in June 2012, Ms. Wang has led the establishment of our financing, financial operations, human resource and administration systems as well as completing the pre-IPO fundraising of approximately RMB743 million. Ms. Wang successfully led the Company's IPO on Main Board of Hong Kong Stock Exchange in 2019 and on the Sci-tech Innovation Board of the Shanghai Stock Exchange in August 2020, making the Company the first "A+H" dual listing vaccine company. In order to further promote the commercialization of the Company's products, Ms. Wang is leading the development and expansion of the Company's commercial operation center.

NON-EXECUTIVE DIRECTORS

Qiang XU (許強) *(resigned)*, aged 53, was a non-executive Director from December 2011 to September 2021. Mr. Xu was primarily responsible for participating in formulating the Company's corporate and business strategies. From April 1998 to April 2003, Mr. Xu served as a manager of the department of investment banking at Suzhou Industrial Park State-owned Asset Management Co., Ltd. (蘇州工業園區國有資產管理有限公司). From March 2005 to March 2007, he worked at Suzhou Industrial Park Real Estate Management Co., Ltd. (蘇州工業園區地產經營管理有限公司) as a general manager of the department of investment. Mr. Xu serves as the chairman of board of directors at Suzhou Industrial Park Asset Management Co., Ltd. (蘇州工業園區資產管理有限公司). Mr. Xu received his master's degree in business administration from the University of Hong Kong in December 2004.

Liang LIN (林亮), aged 47, was appointed as a non-executive Director in August 2013. He is also currently a member of Remuneration and Assessment Committee. Mr. Lin is primarily responsible for participating in formulating the Company's corporate and business strategies. Prior to studying in China Europe International Business School (中歐國際工商學院), Mr. Lin served as assistant product manager at Beijing Merek Pharmaceutical Consulting., Ltd. till June 2007. He served as business development manager at GlaxoSmithKline (China) Investment Co., Ltd from April 2009 to April 2010. Mr. Lin served as investment director from February 2011 to March 2017 and has been a partner since March 2017 at Lilly Asia Ventures (禮來亞洲基金). He is currently a director at Sansure Biotechnology Co., Ltd. (聖湘生物科技股份有限公司), Shanghai Wei Nuo Pharmaceutical Technology Co., Ltd. (上海緯諾醫藥科技有限公司), Shenzhen Ionova LifeScienceCo., Ltd. (深圳市原力生命科學有限公司), Eluminex Biosciences Technology (Shanghai) Co. Limited (典晶生物醫藥科技(上海)有限公司), Acerand Therapeutics Limited, Youling Medical Technology (Shanghai) Co. Limited (優領醫藥科技(上海)有限公司), Jiangxi Caishi Medical Technology Co. Limited (江西彩石醫藥科技有限公司) and Dizal (Jiangsu) Pharmaceutical Co. Limited (迪哲(江蘇)醫藥有限公司). Mr. Lin received a bachelor's degree in chemical and pharmaceutical technology in July 1996 and a master's degree in medicinal chemistry in June 1999 from China Pharmaceutical University (中國藥科大學). Mr. Lin obtained his master degree in business administration from China Europe International Business School in March 2009.

Nisa Bernice Wing-Yu LEUNG (梁頴宇), aged 51, was appointed as a non-executive Director in September 2015. She is also currently a member of Nomination Committee. Ms. Leung is primarily responsible for participating in formulating the Company's corporate and business strategies. Ms. Leung joined Qiming Venture Partners, a venture capital firm in China, in December 2007, and currently serves as a managing partner where she leads its health care investments. Ms. Leung also co-founded Biomedic Holdings Limited, which has operations and investments in medical devices, pharmaceuticals and health care services in China, in February 2004. Ms. Leung was a venture partner at PacRim Venture Partners from July 2001 to June 2003. Ms. Leung served as a director at Gan & Lee Pharmaceutical Holdings Ltd. (甘李藥業股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603087), from March 2010 to March 2021. Ms. Leung served as a director since August 2014 and an independent director since July 2020 of Zai Lab Limited (再鼎醫藥有限公司), a company listed on Nasdaq Stock Market (ticker symbol: ZLAB) and the Hong Kong Stock Exchange (stock code: 9688); as vice-chairwoman to the board of directors since June 2013 and a non-executive director since July 2019 of Venus Medtech (Hangzhou) Inc. (杭州啟明醫療器械股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 2500); and a director of New Horizon Health Limited (諾輝健康), a company listed on the Hong Kong Stock Exchange (stock code: 6606) since June 2017, and an independent non-executive director since April 2021 of Hong Kong Exchanges and Clearing Limited, a company listed on the Hong Kong Stock Exchange (stock code: 388). Ms. Leung was appointed as a Justice of the Peace in July 2016 by the Government of Hong Kong. Ms. Leung received a bachelor's degree in management from Cornell University in the United States in May 1992 and a master's degree in business administration from Stanford University in the United States in June 2001.

Zhi XIAO (肖治), aged 43, was appointed as a non-executive Director in June 2019. Mr. Xiao is primarily responsible for participating in formulating the Company's corporate and business strategies. Mr. Xiao has been the managing director of SDIC Fund Management Co., Ltd. (國投創新投資管理有限公司) since 2016. Mr. Xiao has been serving as a director of Zhejiang Novus Pharmaceuticals Co., Ltd. (浙江創新生物有限公司), a director of Beijing Surgerii Technology Co., Ltd (北京術鋭技術有限公司), a director of Liaoning He Eye Hospital Group Co., Ltd (遼寧何氏眼科醫院集團股份有限公司), and a director of TINAVI Medical Technologies Co.,Ltd. (北京天智航醫療科技股份有限公司) (a company listed on the STAR Market of Shanghai Stock Exchange, stock code: 688277). Mr. Xiao served as an independent non-executive director of Guangdong Great River Smarter Logistics Co., Ltd. (廣東宏川智慧物流股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 002930) from May 2016 to June 2021. Mr. Xiao received his bachelor's degree in veterinary medicine from China Agricultural University and his master of business administration degree from Tsinghua University.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Shiu Kwan Danny WAI (韋少琨), aged 58, was appointed as an independent non-executive Director in June 2018, with the appointment to take effect upon Listing of H Shares. He is also currently a member of Audit Committee and Nomination Committee. Mr. Wai is primarily responsible for supervising and providing independent judgement to the Board. Mr. Wai served as analyst at The MAC Group, Inc. (Hong Kong) (currently part of the Capgemini Group) from July 1987 to September 1990 and financial analyst at Postal Buddy Corporation in the U.S. from 1992 to 1994. He was assistant manager, manager, assistant director and director of the Corporate Finance Department at Jardine Fleming Holdings Limited (Hong Kong) (currently part of JPMorgan Chase & Co.) and vice president in the Mergers & Acquisitions Department at JPMorgan Securities (Asia Pacific) Limited from September 1994 to May 2002. He served as executive director, managing director and head of Asia in the Global Healthcare Group at the Investment Banking Department of UBS AG (Hong Kong) from May 2004 to October 2015. He served as adviser at UBS AG Hong Kong Branch from February 2018 to January 2020 and was an independent non-executive director of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (上海復星醫藥(集團)股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600196, and the Hong Kong Stock Exchange, stock code: 2196), from June 2016 to June 2019. Mr. Wai received his bachelor's degree in social sciences in November 1987 from the University of Hong Kong and a master's degree in business administration in June 1992 from the John E. Anderson Graduate School of Management at the University of California, Los Angeles.

Zhu XIN (辛珠), aged 53, was appointed as an independent non-executive Director in June 2018, with the appointment to take effect upon Listing of H Shares. She is also currently the chairwoman of the Audit Committee and a member of Remuneration and Assessment Committee. Ms. Xin is primarily responsible for supervising and providing independent judgement to the Board. From 2006 to 2014, Ms. Xin held senior management positions at several companies, including vice-president at Hopson Development Holdings Limited (合生創展集團有限公司) (a company listed on the Hong Kong Stock Exchange, stock code: 754), executive director and executive vice president of China Aoyuan Property Group Limited (中國奧園地產集團) (a company listed on the Hong Kong Stock Exchange, stock code: 3883), where she was primarily responsible for financing, accounting and auditing, and chief financial officer at Logan Property Holdings Company Limited (龍光地產控股有限公司) (a company listed on the Hong Kong Stock Exchange, stock code: 3380). From May 2015 to March 2017, she served as the executive vice president of YIHE Real Estate Holdings Limited (頤和地產集團). Ms. Xin has been an independent non-executive director of Central China New Life Limited (a company listed on the Hong Kong Stock Exchange, stock code 9983) and Datang Group Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 2117) since April and November 2020, respectively. Ms. Xin has abundant experience in accounting, auditing and corporate finance management. She has been a member of CPA Australia since October 2010. Ms. Xin received a bachelor's degree in accounting from Renmin University of China in July 1990 and a master's degree in business administration in international management from International College of Auckland Institute of Studies in December 1999.

Shuifa GUI (桂水發), aged 57, was appointed as an independent non-executive Director in November 2019. He is also currently the chairman of Remuneration and Assessment Committee and a member of Nomination Committee and Audit Committee. Mr. Gui is primarily responsible for supervising and providing independent judgement to the Board. Mr. Gui has been serving as chief financial officer at Ucloud Technology Co., Ltd. (優刻得科技股份有限公司) (a company listed on Shanghai Stock Exchange, stock code: 688158) since June 2018, and as director, chief financial officer and secretary of the board of directors at Ucloud Technology Co., Ltd. since July 2018. Mr. Gui has been director of several companies, including executive director of Shanghai Shiniu Asset Management Co., Ltd. (上海師牛資產管理有限公司) since February 2013, director of Shanghai Tunnel Engineering Co., Ltd. (上海隧道工程股份有限公司) (a company listed on Shanghai Stock Exchange, stock code: 600820) since December 2018, independent non-executive director of Shanghai Mechanical & Electrical Industry Co., Ltd. (上海機電股份有限公司) (a company listed on Shanghai Stock exchange, stock code: 600835) since May 2018, director of Shanghai Zhengshi Intelligent Technology Co., Ltd. (上海證識智能科技有限公司) since June 2018, and independent non-executive director of Linkage Software Co., Ltd. (蘇州工業園區凌志軟件股份有限公司) since April 2019. Mr. Gui worked at Shanghai University of Finance and Economics (上海財經大學) and served as a teaching associate from July 1989 to December 1993. He served as business manager of Listing Department at Shanghai Stock Exchange from January 1994 to December 1997 and served as deputy director and director of Marketing Development Department from January 1998 to September 2001. From October 2001 to December 2011, he served as deputy general manager, chief financial officer and secretary of the board of directors at Orient Securities Co., Ltd. (東方證券股份有限公司) (a company listed on Hong Kong Stock Exchange (stock code: 03958) and Shanghai Stock Exchange (stock code: 600958)). He served as chairman of the board of directors at China Universal Asset Management Co., Ltd. (匯添富基金管理有限公司) from October 2004 to April 2012. From April 2012 to August 2017, he served as president at Landgent Group Co., Ltd. (樂成集團有限公司). From September 2017 to May 2018, he served as deputy general manager at E-Capital Transfer Co., Ltd. (證通股份有限公司). Mr. Gui obtained his bachelor's degree in accounting from Shanghai University of Finance and Economics in June 1989. He received his master's degree in business management from the University of Hong Kong in September 2004. He has been a member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) since April 1998.

Jianzhong LIU (劉建忠), aged 58, was appointed as an independent non-executive Director in November 2019. He is also currently the chairman of Nomination Committee and a member of Remuneration and Assessment Committee. Mr. Liu is primarily responsible for supervising and providing independent judgement to the Board. Mr. Liu has been serving as vice president at Yingu Holdings Group Co., Ltd. (銀谷控股集團有限公司) since January 2012, as dean of Zhongyi (Beijing) Vaccine and Health Institute (中義(北京)健康研究院) since July 2016, as general manager and executive director at Zhongyi (Taizhou) Pharmaceutical Technology Co., Ltd. (中義(泰州)醫藥科技有限公司) since February 2018 and as general manager and executive director at Mianzhu Yingu Rose Trading Co., Ltd. (綿竹銀谷玫瑰商貿有限公司) since November 2015. Mr. Liu served as chief of Disease Control Division of the General Administration of Quality Supervision, Inspection and Quarantine (國家質量監督檢驗檢疫總局) from July 1989 to June 2003. From July 2003 to December 2011, he served as director of Scientific Affairs Department at Sanofi Pasteur, the vaccines division of the pharmaceutical company Sanofi S.A. Mr. Liu obtained his bachelor's degree in medicine from Peking University Health Science Center (北京大學醫學部) in June 1989. He received his master's degree in health sciences from Curtin University in Australia in March 1998.

SUPERVISORS

Jiangfeng LI (李江峰), aged 45, was appointed as a Supervisor and the chairwoman of the Board of Supervisors in November 2019. Ms. Li has been serving as managing director of medical health investment department at Fortune Venture Capital Co., Ltd. (深圳市達晨財智創業投資管理有限公司) since March 2011. Ms. Li has been serving as director of several companies, including Pharmapack Technologies Corporation (廣州玹瑪珈智能設備股份有限公司) since December 2011, Raybiotech, Inc. (瑞博奧(廣州)生物科技股份有限公司) since July 2020, Guangdong Launca Medical Device Technology Co., Ltd. (廣東朗呈醫療器械科技有限公司) since September 2015, Shanghai Akmpath Biotechnology Co., Ltd. (上海菲爾紹阿克曼生物科技有限公司) since August 2018, and RoboCT Technology Development Co., Ltd. (杭州程天科技發展有限公司) since December 2021. She has also been supervisor of Shenzhen Kairuikang Information Technology Co., Ltd. (深圳市凱瑞康信息技術有限公司), Guangdong OptoMedic Technologies Inc. (廣東歐譜曼迪科技有限公司), Shanghai OPM Biosciences Co., Ltd. (上海奧浦邁生物科技股份有限公司) and Shenzhen SiBionics Co. Ltd. (深圳硅基仿生科技有限公司) since January 2016, August 2016, August 2020 and May 2021, respectively. Ms. Li served as investment manager at Guangzhou Technology Venture Capital Co., Ltd. (廣州科技創業投資有限公司) from February 2004 to August 2007. She served as investment director at Guangzhou Hiway Capital Co., Ltd. (廣州海匯投資管理有限公司) from August 2007 to March 2011. Ms. Li obtained her bachelor's degree in biochemistry and molecular biology from Nankai University (南開大學) in July 1999. She received her master's degree in biochemistry and molecular biology from Nankai University in July 2002.

Jieyu ZOU (鄒潔羽) *(resigned)*, aged 32, was appointed as a Supervisor in June 2016 and ceased to be a Supervisor in May 2021. Ms. Zou joined Lilly Asia Ventures (禮來亞洲基金) in June 2015, where she served as an investment manager, a senior investment manager, a vice president and has been an executive director since September 2019. From February 2014 to April 2015, Ms. Zou served as an investment manager at Fosun Hightech Group Co., Ltd. (復星高科技集團有限公司) and was responsible for investment project management. From 2012 to 2014, Ms. Zou served as a research associate at Michael Allen Company, where she was primarily responsible for providing consulting services. Ms. Zou graduated from Peking University with a bachelor's degree in biology in July 2010. She received a master of public health degree from Yale University in May 2012.

Zhengfang LIAO (廖正芳), aged 37, was appointed as an employee Supervisor in December 2016. She joined our Company in June 2010 as an administrative assistant and was appointed as a project manager in June 2013 and the manager of project department in March 2014. Ms. Liao was appointed as senior manager of executive office in October 2018. Prior to joining our Company, Ms. Liao served as a project executive at China Foundation for Poverty Alleviation (中國扶貧基金會) from July 2008 to May 2010. Ms. Liao graduated from Minzu University of China (中央民族大學) with a bachelor's degree in biotechnology in July 2008.

Dr. Zhongqi SHAO (邵忠琦), aged 61, served as a vice president of the Company since May 2011 and was appointed as a Supervisor in May 2021. Dr. Shao is primarily responsible for assisting the chief scientific offer in managing R&D of the Company. Dr. SHAO served as a senior research scientist in IBEX Technologies Inc. (a company listed on Toronto Stock Exchange Venture Exchange, ticker symbol: IBT) from November 1995 to October 2001 and from November 2002 to September 2007. From November 2001 to November 2002, he served as a senior research scientist in BioMarin Pharmaceutical Inc. From October 2007 to April 2011, he served as a senior research scientist in Sanofi Pasteur Limited. Dr. SHAO obtained a Ph.D. in microbiology from Concordia University in August 1993.

SENIOR MANAGEMENT

Helen Huihua MAO, aged 60, is a co-founder of our Company. She served as an executive Director of the Company from January 2009 to May 2018 and senior vice president of the Company from January 2009 to December 2020. She has been serving as the executive vice president of the Company from January 2021. Dr. Mao used to be in charge of the construction and operation of the quality center of the Company, and participated in the construction and management of the Company. She is currently responsible for international regulatory affairs, and participates in the management of our Group. Dr. Mao graduated from Jiangxi Institute of Technology (now known as Nanchang University) with a bachelor's degree in chemical engineering in July 1982. In October 1984 and August 1988, she obtained a master's degree and a Ph.D degree in chemical engineering from Chinese Academy of Sciences. From December 1988 to September 1990, Dr. Mao conducted postdoctoral research in the University of Waterloo in Canada. Dr. Mao also holds a Canadian Professional Engineer Certificate and received her MBA degree from Villanova University in U.S. in 2009. Dr. Mao has more than 30 years of experiences in pharmaceutical and biopharmaceutical R&D, technology transfer, product registration, quality and regulatory compliance including 20 years of experiences in multinational companies (MNCs) in North America. Prior to founding the Company, Dr. Mao was a senior engineer at Albright & Wilson Americas from October 1990 to July 1999, and facility and equipment qualification expert at Apotex from May 2000 to May 2001. From July 2001 to April 2005, she was project manager and quality director of Wyeth Pharmaceuticals, Inc. and quality director of Endo Pharmaceuticals plc from June 2006 to May 2011. After founding of the Company, Dr. Mao served as senior vice president of quality operations of the Company. She established quality management systems for vaccine R&D, clinical trial materials production and commercialization, so as to ensure that the Company complies with the regulations of the NMPA, World Health Organization (WHO), U.S. Food and Drug Administration and European Union GMP. She is the founder of quality management and GMP compliance systems of CanSinoBIO. In 2017, the new vaccine manufacturing campus which meets the current GMP standards of China and the requirements of EU and WHO was successfully built with Dr. Mao's guidance and participation from the design stage to the successful commissioning and validation. After putting into full production, it will realize the commercialization of multiple vaccines including multivalent meningococcal conjugate vaccine, component DPT vaccine and other products. Since 2012 to May 2018, under the strong leadership of Dr. Mao, the Company successfully passed the GMP on-site audits from the European Qualified Persons (QPs) and many regulatory on-site GMP inspections from NMPA. At present, Dr. Mao is responsible for international regulatory affairs, leading the international registration of the Company's vaccine products overseas, and promoting the implementation of several international collaboration projects. Meanwhile, in respect of the COVID-19 vaccine project, Dr. Mao and our team obtained clinical trial permits of the phase III clinical trials in multiple countries including Pakistan, Mexico, Russia, Chile, and Argentina. Under Dr. Mao's leadership, the Company has received multiple Emergency Use Authorization (EUA) approvals of Convidecia including EUA approval from an European country. This enables the Company's vaccine products entering into broad international markets. Dr. Mao is the spouse of Dr. Chao, an executive Director, chief operating officer and deputy general manager of our Company.

Xi LUO (羅樨), aged 45, is appointed as chief financial officer of the Group in September 2021. Ms. Luo, Ph.D. of Micrological and Biochemical Pharmacology, graduated from China Union Medical College (中國協和醫科大學) (now known as Chinese Academy of Medical Sciences (中國醫學科學院)) in 2007. From May 2012 to March 2015, Ms. Luo worked as an analyst of medical health industry in Zhong De Securities Company Limited (中德證券有限責任公司). From March 2015 to September 2021, Ms. Luo worked as an executive director and deputy head of healthcare group of global investment banking committee in CITIC Securities Co., Ltd. (中信証券股份有限公司). During her tenure of office in CITIC Securities Co., Ltd., Ms. Luo participated in the Company's initial public offering on the Sci-tech Innovation Board of the Shanghai Stock Exchange in August 2020, making the Company the first "A+H" dual listing vaccine company. Ms. Luo has nearly 15 years of experience in brokerage research and investment banking, and projects she participated in involved IPO on Small and Medium-sized Board, IPO on the Sci-tech Innovation Board, IPO on GEM, refinancing of companies listed on Sci-tech Innovation Board, merger and acquisition, and corporate control transfer involving listed companies. Ms. Luo led and participated IPO, refinancing or merger and capital operation projects of Double Medical Technology Inc. (大博醫療科技股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 002901)), Sinocelltech Group Limited (北京神州細胞生物技術集團股份公司) (a company listed on the Sci-Tech Innovation Board of Shanghai Stock Exchange (stock code: 688520)), Sino Biological, Inc. (北京義翹神州科技股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 301047)), Joinn Laboratories (China) Co., Ltd. (北京昭衍新藥研究中心股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 603127) and the Hong Kong Stock Exchange (stock code: 006127)), Novogene Co., Ltd. (北京諾禾致源科技股份有限公司) (a company listed on the Sci-Tech Innovation Board of Shanghai Stock Exchange (stock code: 688315)), Changchun BCHT Biotechnology Co. (長春百克生物科技股份公司) (a company listed on the Sci-Tech Innovation Board of Shanghai Stock Exchange (stock code: 688276)), and Sansure Biotech Inc. (聖湘生物科技股份有限公司) (a company listed on the Sci-Tech Innovation Board of Shanghai Stock Exchange (stock code: 688289)), etc., with extensive experience in capital operations.

Jin CUI (崔進), aged 35, was appointed as the secretary of the Board in September 2021. He has been serving as the head of securities affairs department of the Company since October 2018 and the joint company secretary of the Company since March 2019. He joined the Company in May 2016 as the executive manager of corporate strategy department, primarily responsible for strategic research, business development and financial management. He was the assistant to the chief executive officer of the Company and was responsible for assisting the chief executive officer of the Company in the daily operation of business strategy from March 2017 to October 2018. Mr. Cui served as representative on securities matters from October 2018 to September 2021, where he was responsible for capital operations, information disclosure and assisting the secretary of the Board in investor relations. Mr. Cui served as an executive director of investment banking at Tianjin Branch of JZ Securities Co., Ltd. (九州證券股份有限公司) from August 2015 to April 2016. From June 2012 to July 2015, Mr. Cui worked at Tianjin Equity Exchange (天津股權交易所), where he was responsible for trading management and project management. Mr. Cui graduated from Tianjin University of Finance and Economics (天津財經大學) with a bachelor's degree in actuarial and risk management in June 2009. He obtained his master's degree in international financial analysis from University of Glasgow in December 2011.

JOINT COMPANY SECRETARIES

Jin CUI (崔進), aged 35, was appointed as the joint company secretary of our Company in March 2019. Please refer to section entitled "Senior Management" in this section for biographical details of Mr. Cui.

Ming King CHIU (趙明璟), aged 45, was appointed as the joint company secretary of our Company in March 2019. Mr. Chiu currently serves as managing director of corporate services of Vistra Corporate Services (HK) Limited. He has over 10 years of experience in the company secretarial field. Mr. Chiu has been an associate member of The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom and The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) ("**HKCGI**") since 2003 and became a fellow member of the HKCGI since September 2015. He is also a holder of the Practitioner's Endorsement Certificate issued by HKCGI. He has been a vice chairman of the Membership Committee, a chairman of the Professional Services Panel and a council member of HKCGI. Mr. Chiu obtained a bachelor of arts from University of Toronto in Canada in June 1999 and received a master of arts degree in professional accounting and information systems from City University of Hong Kong in November 2003.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and enhance its corporate value. The Company has adopted with all the applicable provisions of the CG Code as set out in Appendix 14 to the Hong Kong Listing Rules.

The Board is of the view that throughout the Reporting Period, the Company has complied with all the applicable principles and code provisions as set out in the CG Code, except for code provision C.2.1, details will be set out below.

DIRECTORS' AND SUPERVISORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules. The Company has confirmed that, having made specific enquiry of all the Directors and Supervisors, all Directors and Supervisors have complied with the Model Code during the Reporting Period.

The Company has also established written guidelines (the "**Employees Written Guidelines**") on terms no less stringent than the Model Code for securities transactions by relevant employees who are likely to possess inside information of the Company in respect of their dealings in the Company's securities. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company during the Reporting Period.

CORPORATE STRATEGY

The principal objective of the Company is to enhance long-term total return for all its stakeholders. To achieve this objective, the Group focuses on the development of vaccine candidates through both in-house R&D and external collaborations. The Group is also expanding its sales and marketing team to strengthen vaccine commercialization. The section headed "Business Review" under "Management Discussion and Analysis" of this report sets out the discussions and analyses of the Group's performance, the basis on which the Group generates and preserves value in the longer term and delivers the Group's objectives. Further information on the sustainable development initiatives of the Group and its key relationships with stakeholders can also be found in the Corporate Social Responsibility Report of the Company to be published on the website of Shanghai Stock Exchange and the Environmental, Social and Corporate Governance ("**ESG**") Report of the Company to be published separately on the website of the Hong Kong Stock Exchange.

BOARD OF DIRECTORS

Board Composition

As at the date of this report, the Board comprises five executive Directors, three non-executive Directors and four independent non-executive Directors, namely:

Executive Directors

Dr. Xuefeng YU *(Chairman, chief executive officer and general manager)*
Dr. Shou Bai CHAO *(Chief operating officer and deputy general manager)*
Dr. Tao ZHU *(Chief scientific officer and deputy general manager)*
Dr. Dongxu QIU *(Executive vice president and deputy general manager)*
Ms. Jing WANG *(Chief commercial officer and deputy general manager)*

Non-executive Directors
Mr. Liang LIN
Ms. Nisa Bernice Wing-Yu LEUNG
Mr. Zhi XIAO

Independent non-executive Directors
Mr. Shiu Kwan Danny WAI
Ms. Zhu XIN
Mr. Shuifa GUI
Mr. Jianzhong LIU

The biographical information of the Directors and the relationships between the members of the Board are disclosed under the section headed "Directors, Supervisors and Senior Management" on pages 20 to 28 of this report.

Chairman and Chief Executive

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Dr. Yu acts as the chairman of the Board and continues to act as the chief executive officer and general manager of the Company since the Listing of H Shares on the Hong Kong Stock Exchange. Dr. Yu has assumed the role of chief executive officer and general manager of the Company since our commencement of business, the Board considers it beneficial to the business prospect and operational efficiency of the Company.

The Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) decision to be made by the Board requires approval by at least a majority of the Directors; (ii) Dr. Yu and the other Directors are aware of and undertake to fulfil their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of the Company and will make decisions for the Company accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company. Moreover, the overall strategic and other key business, financial, and operational policies of the Company are made collectively after thorough discussion at both Board and senior management levels.

The Board will continue to review the effectiveness of the corporate governance structure of the Company in order to assess whether separation of the roles of chairman of the Board and chief executive officer is necessary.

Therefore, the Board considers that the deviation from code provision C.2.1 of the CG Code is appropriate in such circumstances and the existing arrangements are beneficial and in the interests of the Company and its Shareholders as a whole.

Independent Non-executive Directors

During the Reporting Period, the Board at all times met the requirements of the Hong Kong Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

Appointment, Re-election and Removal of Directors

Each of the executive Director, non-executive Director and independent non-executive Directors of the Company has entered into a service contract with the Company for a specific term. The independent non-executive Directors have been appointed till the expiration of the term of the current Board (3 years) and unless it is terminated by either the Company or such Director. The term of appointment of each Director is subject to retirement by rotation and re-election at general meeting in accordance with the Articles of Association and the Hong Kong Listing Rules.

The Company may, in accordance with the Articles of Association, by ordinary resolution remove any Director before the expiration of his/her term of office notwithstanding anything to the contrary in the Articles of Association or in any agreement between the Company and such Director.

Where vacancies on the Board exist, the Nomination Committee evaluates skills, knowledge and experience required by the Board, and identifies if there are any special requirements for the vacancy. The Nomination Committee identifies appropriate candidates and convenes Nomination Committee meeting to discuss and vote in respect of the nominated Directors and recommends candidates for Directors to the Board.

The Nomination Committee considers candidates with individual skills, experience and professional knowledge that can best assist and facilitate the effectiveness of the Board.

The Nomination Committee takes the policy on Board diversity of the Company into consideration when it considers the balance of composition of the Board as a whole.

The Company has a director nomination policy. As evaluating and determining the candidates of Directors, the Nomination Committee and the Board of Directors shall consider the following factors: personal characters; professional qualifications, skills, knowledge, and experience related to the Group's business and strategy; willing to devote sufficient time to fulfill the duties of the Directors and members of the special committees of the Board of Directors; whether their appointment is in compliance with the requirements of the Hong Kong Listing Rules (including the independence requirements of independent non-executive Directors); whether their appointment is in compliance with the Company's Board diversity policy and any measurable targets adopted by the Nomination Committee to diversify the members of the Board.

Responsibilities of the Directors

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

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

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

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

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

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

Directors' and Officers' Liabilities Insurance

The Company has arranged appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against Directors and officers of the Company arising out of corporate activities.

Continuous Professional Development of Directors

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 induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Hong Kong Listing Rules and relevant statutory requirements.

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 expenses.

During the Reporting Period, each of the Directors, namely Dr. Xuefeng YU, Dr. Shou Bai CHAO, Dr. Tao ZHU, Dr. Dongxu QIU, Ms. Jing WANG, Mr. Liang LIN, Ms. Nisa Bernice Wing-Yu LEUNG, Mr. Zhi XIAO, Mr. Shiu Kwan Danny WAI, Ms. Zhu XIN, Mr. Shuifa GUI and Mr. Jianzhong LIU, have attended the training course conducted by the legal advisers of the Company. The content of such training related to the duties of directors, on-going obligations of A+H dual listed companies as well as anti-corruption and fraud.

BOARD COMMITTEES

The Board has established three committees, namely the Audit Committee, the Remuneration and Assessment Committee and the Nomination Committee. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authorities and duties. The terms of reference of the Board committees are posted on the Company's website and the Hong Kong Stock Exchange's website and are available to Shareholders upon request.

Audit Committee

The Company established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Hong Kong Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules. The Audit Committee consists of three members, namely Ms. Zhu XIN, Mr. Shiu Kwan Danny WAI and Mr. Shuifa GUI, each being an independent non-executive Director. Ms. Zhu XIN has been appointed as the chairwoman of the Audit Committee, and is the independent non-executive Director holding the appropriate professional qualifications.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Company, oversee the audit process, review and oversee the existing and potential risks of the Company and perform other duties and responsibilities as assigned by the Board. The Audit Committee has met all the applicable responsibilities and duties as described under the Hong Kong Listing Rules.

The Audit Committee held four meetings during the Reporting Period, the attendance record of the committee members is set out in the section entitled "Board Meetings and Directors' Attendance Records" in this chapter. The following is a summary of work performed by the Audit Committee during the Reporting Period:

- reviewed the quarterly, interim and annual results and/or report (if applicable), the Group's financial and accounting policies and practices and the scope of audit and appointment of auditors;
- reviewed the appointment of domestic and international auditors and internal control audit agency of the Company for the year of 2021;
- reviewed the financial control system and engagement of non-audit services; and
- reviewed the risk management and internal control systems and the effectiveness of internal audit function and discussed with the management and internal audit on their findings.

The Audit Committee also met twice the external auditors of the Company during the Reporting Period.

Remuneration and Assessment Committee

The Company established the Remuneration and Assessment Committee with written terms of reference in compliance with Rule 3.25 of the Hong Kong Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules. The Remuneration and Assessment Committee consists of five members, namely Dr. Shou Bai CHAO, an executive Director, Mr. Liang LIN, a non-executive Director, Ms. Zhu XIN, Mr. Shuifa GUI and Mr. Jianzhong LIU, each being an independent non-executive Director. Mr. Shuifa GUI has been appointed as the chairman of the Remuneration and Assessment Committee. The primary duties of the Remuneration and Assessment Committee are to establish and review the remuneration policy and structure for the Directors and senior management and make recommendations on employee benefit arrangement. The Remuneration and Assessment Committee has met all the applicable responsibilities and duties as prescribed under the Hong Kong Listing Rules.

The Remuneration and Assessment Committee held three meetings during the Reporting Period, the attendance record of the committee members is set out in the section entitled "Board Meetings and Directors' Attendance Records" in this chapter. The following is a summary of work performed by the Remuneration and Assessment Committee during the Reporting Period:

- made recommendations to the Board on the remuneration package of the individual executive Directors and senior management;
- made recommendations to the Board on the terms of the service contracts of the executive Directors;
- reviewed the Incentive Scheme and the Management Measures for Assessment for the Implementation of the Incentive Scheme, and the list of participants thereunder;
- reviewed and made recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management; and
- reviewed the performance of duties of Directors and senior management of the Company and conduct annual performance appraisals on them.

Details of the Directors' and Supervisors' remuneration are set out in Note 36 to the consolidated financial statements.

The remuneration of the senior management (other than Directors and Supervisors) of the Group by band for the year ended December 31, 2021 is set out below:

Remuneration bands	Number of senior management
HK$1,500,001 – HK$2,000,000	1
HK$2,000,001 – HK$2,500,000	–
HK$2,500,001 – HK$3,000,000	1
HK$3,000,001 – HK$5,000,000	–
HK$5,000,001 – HK$5,500,000	1

Nomination Committee

The Company established the Nomination Committee with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules. The Nomination Committee consists of five members, namely Dr. Xuefeng YU, an executive Director, Ms. Nisa Bernice Wing-Yu LEUNG, a non-executive Director, Mr. Shiu Kwan Danny WAI, Mr. Shuifa GUI and Mr. Jianzhong LIU, each being an independent non-executive Director. Mr. Jianzhong LIU has been appointed as the chairman of the Nomination Committee. The primary duties of the Nomination Committee are to make recommendations to our Board on the appointment and removal of Directors of our Company. The Nomination Committee has met all the applicable responsibilities and duties as prescribed under the Hong Kong Listing Rules.

The Nomination Committee held one meeting during the Reporting Period, the attendance record of the committee members is set out in the section entitled "Board Meetings and Directors' Attendance Records" in this chapter. The following is a summary of work performed by the Nomination Committee during the Reporting Period:

- assess the independence of the independent non-executive Directors;
- considered and/or made recommendations to the Board on the election of a director, select and recommend candidates for directorship; and
- reviewed the structure, size and composition of the Board.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience etc. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence (for appointment of Independent non-executive Directors), and Board diversity aspects, where appropriate, before making recommendation to the Board.

Corporate Governance Function

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

The Board had reviewed and determined the following issues during the Reporting Period:

- the Company's policies and practices on corporate governance, compliance with legal and regulatory requirements;
- training and continuous professional development of Directors and senior management;
- code of conduct and compliance manual (if any) applicable to employees and Directors; and
- the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Board Meetings and Directors' Attendance Records

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of the Directors.

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

During the Reporting Period, the Board held eight meetings and the attendance record of the Directors at the Board and Board Committee meetings and the general meetings of the Company held during the year ended December 31, 2021 is set out in the table below:

ATTENDANCE RECORDS OF MEETINGS

Number of Meetings Attended/Eligible to attend

Name of Director	Board	Audit Committee	Remuneration and Assessment Committee	Nomination Committee	Annual General Meeting	Other General Meeting
Dr. Xuefeng YU	8/8	N/A	N/A	1/1	1/1	3/3
Dr. Shou Bai CHAO	8/8	N/A	3/3	N/A	1/1	3/3
Dr. Tao ZHU	8/8	N/A	N/A	N/A	1/1	3/3
Dr. Dongxu QIU	8/8	N/A	N/A	N/A	1/1	3/3
Ms. Jing WANG (effective on October 11, 2021)	1/1	N/A	N/A	N/A	0/0	0/0
Mr. Qiang XU (resigned on September 10, 2021)	6/6	N/A	N/A	N/A	1/1	2/2
Mr. Liang LIN	8/8	N/A	3/3	N/A	1/1	3/3
Ms. Nisa Bernice Wing-Yu LEUNG	8/8	N/A	N/A	1/1	1/1	3/3
Mr. Zhi XIAO	8/8	N/A	N/A	N/A	1/1	3/3
Mr. Shiu Kwan Danny WAI	8/8	4/4	N/A	1/1	1/1	3/3
Ms. Zhu XIN	8/8	4/4	3/3	N/A	1/1	3/3
Mr. Shuifa GUI	8/8	4/4	3/3	1/1	1/1	3/3
Mr. Jianzhong LIU	8/8	N/A	3/3	1/1	1/1	3/3

INTERNAL CONTROL AND RISK MANAGEMENT

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

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems. Such risks would include, amongst others, material risks relating to financial reporting and ESG.

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

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions. All departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security.

The management, in coordination with department heads, assessed the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems. The management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the Reporting Period.

The Board, as supported by the Audit Committee as well as the management, annually reviewed the effectiveness of risk management and internal control systems, including the financial, operational and compliance controls, for the Reporting Period, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function, staff qualifications, experiences, training programmes and relevant resources as well as those relating to the Company's ESG performance and reporting.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 66 to 70 of this report.

AUDITOR'S REMUNERATION

During the Reporting Period, the remuneration paid or payable to the Company's auditors, in respect of their audit and non-audit services was as follows:

	RMB'000
Audit services and other assurance services	3,950
Non-audit services	1,428
Including: Tax consulting services	900
Compliance advisory services	528
Total	5,378

COMPANY SECRETARY

The Company has appointed, externally, Mr. Ming King CHIU as the joint company secretary of the Company. Mr. Chiu's primary contact with the Company is Dr. Yu, the executive Director and the Chairman. Mr. Jin CUI, another joint company secretary of the Company, is also the board secretary of the Company.

During the year ended December 31, 2021, both Mr. Chiu and Mr. Cui undertook not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Hong Kong Listing Rules.

SHAREHOLDERS' RIGHTS

Rights to convene Extraordinary General Meeting

As one of the measures to safeguard Shareholders' interests and rights, the Shareholders are encouraged to participate at the general meetings of the Company and to vote thereat. An annual general meeting of the Company shall be held each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

The annual general meeting of the Company will provide a forum for the Board and the Shareholders to communicate. The Board will answer questions raised by Shareholders at the annual general meeting.

Pursuant to Article 74 of the Articles of Association, Shareholders who, individually or jointly, hold not less than 10% of the shares of the Company shall have the right to request the Board to convene an extraordinary general meeting or class meeting for shareholders, and shall submit the request in writing to the Board. The Board shall provide a reply in writing within 10 days after receipt of the request to express consent or objection to the convening of an extraordinary general meeting or class meeting in accordance with the requirements of the laws, administrative regulations and these Articles of Association.

If the Board consents to hold an extraordinary general meeting or class meeting of shareholders, it should issue a notice of general meeting within 5 days after the resolution is approved by the Board, and any change to the original request in the notice shall be subject to consent from the relevant shareholders.

If the Board disagrees to hold an extraordinary general meeting or class meeting for shareholders, or fails to give a reply within 10 days after receiving the request, shareholders who, individually or jointly, hold not less than 10% of the shares of the Company shall have the right to propose to the board of supervisors to convene an extraordinary general meeting or a class meeting of shareholders, and the request shall be submitted to the board of supervisors in writing.

If the board of supervisors consents to hold an extraordinary general meeting or class meeting of shareholders, it should issue a notice of general meeting within 5 days after receiving the request, and any change to the original request in the notice shall be subject to consent from the relevant shareholders.

If the board of supervisors fails to issue a notice of general meeting within the prescribed period, the board of supervisors is deemed to refuse to convene and preside over the general meeting, and shareholders who, individually or jointly, hold not less than 10% shares of the Company for not less than 90 consecutive days may convene and preside over a general meeting.

Procedures for Putting Forward a Proposal at the General Meeting

Pursuant to Article 77 of the Articles of Association, when a general meeting is held by the Company, the Board, Board of Supervisors or shareholders who individually or together hold not less than 3% of the shares of the Company may propose resolutions to the Company.

Shareholders who individually or together hold not less than 3% of the shares of the Company may submit ad hoc proposals in writing to the convener of the general meeting 10 working days before the holding of the general meeting. The convener shall issue a supplementary notice of the general meeting within 2 days upon receipt of the proposals and announce the contents of the ad hoc proposals.

The contact information of the convener is set out in the section entitled "Right to Put Enquiries to the Board" in this chapter.

Procedures for a Shareholder of the Company to propose a person for election as a Director

Subject to the Articles of Association and the Company Law, the Directors shall be elected by the general meeting.

Article 136 of the Articles of Association provides that written notice concerning proposed nomination of a director candidate and indication of the candidate's intention to accept the nomination shall be sent to the Company seven (7) days before the shareholders' general meeting is convened. When calculating the time limit of the notice, the date of the meeting and the day on which the notice is given shall be excluded.

Right to Put Enquires to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company by mail to Headquarters: 401-420, 4th Floor, Biomedical Park, 185 South Avenue, TEDA West District, Tianjin, PRC, or; Hong Kong: Room 1901, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay Hong Kong or by email to ir@cansinotech.com.

COMMUNICATION WITH SHAREHOLDERS

The Company has established a range of communication channels between itself and its Shareholders, investors and other stakeholders. These include (i) the publication of quarterly, interim and annual reports (if applicable) and/or dispatching circulars, notices, and other announcements; (ii) the annual general meeting or extraordinary general meeting providing a forum for Shareholders to raise comments and exchanging views with the Board; (iii) updated and key information of the Group available on the Company's website and the Hong Kong Stock Exchange's website; (iv) the Company's website offering communication channel between the Company and its stakeholders; and (v) the Company's H share registrar in Hong Kong serving the Shareholders in respect of all share registration matters.

Change in Constitutional Documents

On June 11, 2021, the Board considered and approved the proposed amendment to the Articles of Association for the adjustment of business scope of the Company and the registration of changes in the register of shareholders. The proposed amendment was approved by the Shareholders by way of a special resolution at the extraordinary general meeting on July 30, 2021 and the revised Articles of Association took effect on the same day. Save as the above mentioned, there were no significant changes in the constitutional documents of the Company for the year ended December 31, 2021.

Policies relating to Shareholders

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

The Company has adopted a policy on payment of dividends pursuant to code provision F.1.1 of the CG Code, such details has also set out in its Articles of Association and summarized as follows:

The Company may distribute dividends in one of the following forms (or in both forms):

(1) cash;

(2) shares;

(3) a combination of cash and shares;

(4) other forms as permitted by laws, administrative regulations, departmental rules and regulatory rules of the place of listing.

As for cash dividends and other payments to domestic shareholders, the Company shall pay in RMB, and such payments to holders of foreign shares will be denominated and declared in Renminbi and paid in foreign currency. Foreign currency required by the Company to pay cash dividends and other monies to holders of foreign shares shall be obtained in accordance with the relevant provisions on foreign exchange administration of the state.

Subject to the applicable law and the Articles of Association, any future determination to pay dividends will be based on a number of factors, including the Company's future operations, capital requirements, general financial condition and other factors that the Board may deem relevant.

The Shareholders have approved the "Three-year Dividend Distribution Plan for Shareholders after the Initial Public Offering of A Shares and the Listing on the SSE STAR Market《(首次公開發行人民幣普通股(A股)並上市後三年股東分紅回報規劃》)" at the extraordinary general meeting held on November 29, 2019. When formulating the Shareholders' dividend plan, the Company focuses on its long-term and sustainable development, took into consideration a range of factors, including its actual operation, future profitability, business development plans, cash flow, shareholders' return, costs of social capital and external financing conditions, and made specific institutional arrangements for its profit distribution to achieve a balance between shareholders' reasonable investment returns and the Company's sustainable development to ensure the continuity and sustainability of the profit distribution policy and the lasting, sustainable, healthy business operational capabilities of the Company.

Details of the Shareholders' dividend plan of the Company for the next three years is as follows:

(1) Provided that the conditions of profit distribution are satisfied, the Company may distribute dividends in cash, shares, a combination of both cash and shares or by other ways permitted under laws and regulations, and shall give priority to cash dividends over share dividends. The Company shall determine specific distribution proportions in accordance with the distributable profit and the amount of capital surplus that can be utilized under the Company's consolidated financial statements or the financial statements of the parent company, whichever is lower.

(2) The following conditions shall also be satisfied when the Company implements cash dividend:

(i) The distributable profit (i.e. after-tax net profit after the Company has made up for losses and withdrawn from the statutory reserve fund) for the year is positive;

(ii) Cash dividend shall not exceed the accumulated distributable profit of the Company;

(iii) The audit institution has issued a standard audit report with unqualified opinion on the financial report for the financial year;

(iv) The Company has no such events as major investment plan or significant cash expenditure (excluding projects from raised proceeds);

Significant investment plan or significant cash expenditure refers to: the proposed external investment, acquisition of assets or purchase of equipment by the Company in the upcoming twelve months with accumulated expenses amounting to or exceeding 30% of the latest audited total assets of the Company, and exceeding RMB50 million.

(3) In the case that profits are distributed by way of shares, true and reasonable reasons such as the Company's growth, dilution of net asset value per share shall be taken into consideration. Share distribution may be implemented singly or in combination with cash dividend distribution.

The Board of Directors of the Company shall take into consideration various factors, including its industry features, development stages, its own business model and profitability as well as whether the Company has any substantial capital expenditure arrangement, and differentiate the following circumstances and propose differentiated cash dividend policies in accordance with the procedures under the Articles of Association:

(i) Where the Company is in a developed stage with no substantial capital expenditure arrangement, the dividend distributed in the form of cash shall not be less than 80% of the total profit distribution when profits are distributed;

(ii) Where the Company is in a developed stage with substantial capital expenditure arrangement, the dividend distributed in the form of cash shall not be less than 40% of the total profit distribution when profits are distributed;

(iii) Where the Company is in a developing stage with substantial capital expenditure arrangement, the dividend distributed in the form of cash shall not be less than 20% of the total profit distribution when profits are distributed. Where the Company's stage of development is difficult to distinguish but there is substantial capital expenditure arrangement, the profit distribution may be dealt with pursuant to this rule.

The profit distribution proposal shall be proposed by the Board of Directors and implemented upon consideration and approval at the general meeting.

(4) Provided that the conditions of profit distribution are satisfied, the Company shall distribute cash dividends once a year in principle, and determine whether interim cash dividends shall be distributed after considering profits and capital requirements.

The Board is pleased to present this Report of the Board of Directors together with the consolidated financial statements of the Group for the year ended December 31, 2021.

PRINCIPAL ACTIVITIES

The principal activities of the Company are to develop, manufacture and commercialize of high quality, innovative and affordable vaccines. There were no significant changes in the nature of the Company's principal activities during the Reporting Period.

BUSINESS REVIEW AND RESULTS

A review of the business of the Group during the Reporting Period is provided in the section headed "Business Review" under "Management Discussion and Analysis" of this report. The results of the Group for the Reporting Period are set out in the consolidated financial statements on pages 71 to 142 of this report. An analysis of the Group's performance during the Reporting Period is provided in the section headed "Financial Review" on pages 13 to 19 under "Management Discussion and Analysis" of this report. Future business development of the Group is provided in the section headed "Future and Outlook" on page 13 under "Management Discussion and Analysis" of this report.

FINAL DIVIDENDS

Having taken into account including but not limited to, the Group's overall performance, surplus, overall financial condition and capital expenditures, the Board recommends the declaration of a final cash dividend of RMB8 (inclusive of tax) per 10 Shares for the year ended December 31, 2021 for Shareholders' consideration and approval at the forthcoming annual general meeting of the Company. As of March 25, 2022, the Company has 247,449,899 Shares, including 114,778,999 A Shares and 132,670,900 H Shares, in which 325,000 A Shares were deposited in the share repurchase account of the Company due to the Share Repurchase conducted by the Company (details of which are set out in the subsection headed "Important Events after the Reporting Period" below). The Shares deposited in the share repurchase account are not entitled to the right of profit distribution pursuant to the Share Repurchase Provisions for Listed Company issued by the CSRC and other relevant rules. The capital reserve of the Company will not be converted to share capital of the Company and thus will not be entitled to dividend distribution. Therefore, based on the number of Shares entitled to dividend distribution as of March 25, 2022, the total proposed dividends amounted to RMB197,699,919.20 (inclusive of tax), subject to the approval of the Shareholders at the upcoming annual general meeting of the Company. In the event of any change to the number of Shares entitled to dividend distribution after the date of this report and up to the record date for dividend distribution, the total distribution amount shall be adjusted accordingly with the distribution ratio remaining unchanged. In the event of any adjustment to the dividend distribution plan, the Company will make further announcement, and the adjusted dividend distribution plan shall be approved by the Shareholders prior to its implementation. If the proposed final dividend is approved by the Shareholders, the Company expects to pay such dividend by August 31, 2022. For details, please refer to the circular of the annual general meeting to be despatched to the Shareholders in due course.

The Company will make further announcement regarding the details of cash dividends payment after the 2021 annual general meeting. As of the date of this report, the Board is not aware of any shareholders who has waived or agreed to waive any dividend.

IMPORTANT EVENTS AFTER THE END OF THE REPORTING PERIOD

On January 23, 2022, the Company convened the seventh extraordinary meeting of the Second Session of the Board, during which the Board considered and approved the repurchase of a portion of issued A Shares (the "**A Share Repurchase**") by the Company using its internal funds through Centralized Bidding Trading (the "**Repurchase Plan**"). The repurchased A Shares will be used as the source of A Shares for future employee stock ownership plan or equity incentive scheme. The Company may conduct the A Share Repurchase within 12 months from the date of approval of the Repurchase Plan by the Board. During the implementation period of the Repurchase Plan, if the trading of the A Shares is suspended for more than 10 consecutive trading days due to the planning of material events, the implementation of the Repurchase Plan shall be postponed and disclosed promptly upon the resumption of trading of A Shares. The repurchase price shall be inclusive of and not exceed RMB446.78 per A Share, and the maximum repurchase price shall not exceed 150% of the average trading price of the A Shares for the 30 trading days immediately preceding the date of approval of the Repurchase Plan by the Board. The total amount of funds for the A Share Repurchase shall be not less than RMB150 million (inclusive) and not more than RMB300 million (inclusive). Based on the calculation with reference to the maximum repurchase price of RMB446.78 per A Share, the total amount of A Shares to be repurchased by the Company is approximately 335,736 A Shares to 671,471 A Shares, representing approximately 0.14% to 0.27% of the total share capital of the Company as of the date of this report. The exact number of A Shares to be repurchased shall be subject to the actual number of shares repurchased upon the completion of the Repurchase Plan or the expiry of the Repurchase Period. For details, please refer to the announcement of the Company dated January 23, 2022. As of the date of this report, the Company has repurchased 325,000 A Shares with an aggregate repurchase amount of RMB84,819,259.60 (excluding transaction fees).

Save as disclosed in this report, there were no important events affecting the Company occurred since the end of Reporting Period and up to the date of this report.

R&D ACTIVITIES

A review of the R&D activities of the Company during the Reporting Period is provided on pages 7 to 13 in the section headed "Business Review" under "Management Discussion and Analysis" of this report.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The success of the Group relies on the support of important relations such as employees, suppliers and customers. The Company maintains a good relationship with its employees, customers and suppliers in order to ensure smooth business operation.

Our Company adopts the people-oriented development strategy and had strived to retain talents, protect the rights of our employees, and take care of the development and wellness of our employees. We believed that collaboration with the supplier would be critical to our business success. As such, when choosing suppliers for our business, apart from the quality of their products and services, we would also take into consideration factors such as social responsibility, human rights compliance, ethics and environmental awareness. By improving our supply management system on an ongoing basis, the sustainability of our supply chain could be ensured. For details of relationship with the employees, customers and suppliers, please refer to the subsection headed "Major Customers and Suppliers" and "Employee and Remuneration Policies" in this section.

The ESG Report also contains information in respect of relationship with the employees, customers and suppliers, which will be issued separately within the period as required by the Hong Kong Listing Rules.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

The following are parts of the key risks and uncertainties identified by the Group:

Risks relating to our financial prospects:

- we have incurred significant losses since our inception and we have just turned around from loss to profit in the first half of 2021;
- we may need to obtain substantial additional financing to continuously fund our operations, and a failure to obtain necessary capital when needed would force us to delay, limit, reduce or terminate our product development or commercialization efforts;
- our financial prospects depend on the successful development, approval and further commercialization of our vaccine pipeline;
- we may face substantial competition in the market for vaccines;
- we have a limited operating history, which may make it difficult to evaluate our current business and predict our future performance; and
- we may face potential price control due to the impact of the centralized procurement organized by the governments in the biomedical industry.

Risks relating to development, clinical trials and regulatory approval of our vaccine candidates:

- we may be unable to obtain regulatory approval for our vaccine candidates, and we may not be able to identify, discover or in-license new and suitable vaccine candidates;
- vaccine development involves a lengthy and expensive process with uncertain outcomes, and results of earlier clinical trials may not be predictive of results of later-stage clinical trials; and
- we may not be able to comply with ongoing regulatory obligations and continued regulatory review even if we receive regulatory approval for our vaccine candidates.

Risks relating to commercialization of our vaccine and vaccine candidates:

- we may not be able to be successfully prequalified by local governments of our target provinces or secure subsequent product orders;
- our sales may be adversely affected by the recession or eradication of the infectious diseases that our vaccines target and the availability of alternative vaccines or treatment technologies;
- we have limited experience in commercializing vaccine candidates in China, and any failure to perform proper quality control and quality assurance would have a material adverse effect on our business and financial results; and
- we may fail to obtain regulatory approval in any targeted jurisdictions outside of China and face variety of risks associated with international operations.

Risks relating to our operations:

- we have engaged in in-licensing and collaboration arrangements to develop and commercialize a number of vaccine candidates, and may continue to seek strategic partnerships and collaborations or enter into additional licensing arrangements in the future, which is subject to risks;
- our business depends on the use of raw materials, and a decrease in the supply, or an increase in the cost of these raw materials could materially and adversely affect our business, financial condition and results of operation;
- changes in government regulations or in practices relating to the vaccine industry and compliance with new regulations may result in additional costs;
- we could be unsuccessful in obtaining or maintaining adequate intellectual property protection for one or more of our vaccine candidates;
- we are at risk of governmental actions detrimental to our business, such as product seizure, resumed price controls and additional regulations;
- we benefit from certain preferential tax and financial incentives, the expiration of or changes to which could adversely affect our profitability;
- our reputation is important to our business success. Negative publicity may adversely affect our reputation and business prospect;
- we may be subject to risks of sanction laws or other import and export restrictions of the United States and other jurisdictions in the future;
- any disruption to our continuous use of properties for our business and operations could adversely affect our business and results of operations; and
- the pandemic may continuously have an impact on our business operations, such as causing delays in clinical trials, construction of facilities, regulatory inspections and launch of vaccine products.

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.

MAJOR CUSTOMERS AND SUPPLIERS

For the Reporting Period,

(i) the Group's largest supplier accounted for 7.9% (2020: 8.2%) of its total purchases, and the five largest suppliers accounted for 32.6% of its total purchases (December 31, 2020: 30.5%); and

(ii) the Group generated revenue of approximately RMB3,069.0 million from the sales of our Core Products for the year ended December 31, 2021 from five largest customers, representing 71.8% of the total sales for the Reporting Period. The Group's largest customer accounted for 29.6% (2020: 100%) of its total sales.

None of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

PROPERTY, PLANT AND EQUIPMENT

As of December 31, 2021, details of our main constructions in progress are as follows:

Address and Postal Code	Stage of Completion	Expected Completion Date	Planned Use	Gross Floor Area	Interest Held by the Company
No. 16 Xinwei Road, West District, Tianjin Development Zone (天津開發區西區新維路16號), 300457	Approximately 99%	By the end of 2022	Construction of phase I production facilities	Approximately 38,000 square meters	100%
No. 16 Xinwei Road, West District, Tianjin Development Zone (天津開發區西區新維路16號), 300457	Approximately 50%	By the end of 2022	Construction of PCV production line	Approximately 2,209 square meters	100%
To the north of South Avenue TEDA West District, Tianjin (天津經濟技術開發區西區南大街以北), 300457	Approximately 7%	By the end of 2024	CanSino Innovative Vaccine Industrial Campus Project	Approximately 147,750 square meters	100%
No.1377 Luodong Road, Baoshan District, Shanghai (上海市寶山區羅東路1377號), 200942	Approximately 95%	By the end of 2022	Vaccine construction base	Approximately 43,000 square meters	49.8%
No. 860 Xinyang Road, Lingang Area-Pilot Free Trade Zone, Shanghai (上海市自由貿易試驗區臨港新片區新楊公路860號), 201422	Approximately 1%	By the end of 2023	Phase I Vaccine production facilities	Approximately 16,983 square meters	100%

Details of movements in the property, plant and equipment of the Group during the Reporting Period are set out in note 14 to the consolidated financial statements.

SUBSIDIARIES

Details of the subsidiaries of the Company as of December 31, 2021 are set out in note 39 to the consolidated financial statements.

SHARE CAPITAL

The share capital of the Company as of December 31, 2021 was as follows:

	Number of Shares	Percentage of total issued share capital
A Shares	114,778,999	46.38%
H Shares	132,670,900	53.62%

Details of movements in the share capital of the Company during the Reporting Period are set out in note 24 to the consolidated financial statements.

DONATIONS

As of December 31, 2021, the Company made donations of a total amount of RMB5.95 million, which primarily consisted of a donation of RMB5 million to Henan Province to combat the extraordinary rainstorm occurred in July 2021.

DISTRIBUTABLE RESERVES

As of December 31, 2021, the Company had RMB1,065.5 million distributable reserves (December 31, 2020: nil). Details of movements in the reserves of the Company during the Reporting Period are set out in the Consolidated Statement of Changes in Equity of the Company on page 73 of this report.

BANK AND OTHER BORROWINGS

Particulars of bank and other borrowings of the Group as of December 31, 2021 are set out in note 26 to the consolidated financial statements.

For the Reporting Period, the Group did not issue any convertible bonds.

SHARE INCENTIVES

On August 20, 2021, the Incentive Scheme and the Management Measures for Assessment for the Implementation of the Incentive Scheme have been considered and approved by the Board for the purpose to improve the Company's incentive mechanism, further enhance the enthusiasm, creativity, and cohesion of employees, promote the continuous growth of Company's performance, and achieve common development by enhancing the value of the Company and granting benefits to the employees, the implementation of which has been approved by the Shareholders at the 2021 second extraordinary general meeting and class meetings held on September 10, 2021. For details, please refer to the circular of the Company dated August 26, 2021 and the poll results announcement of the Company dated September 10, 2021.

Pursuant to the authorization granted by the Shareholders at the 2021 second extraordinary general meeting and class meetings, the Board has resolved at the meeting of the Board held on the September 10, 2021 to approve (a) the grant of an aggregate of 875,330 Restricted Shares to 388 participants at the grant price of RMB209.71 per A Share on the same date under the First Grant pursuant to the Incentive Scheme; and (b) the grant of 49,660 Restricted Shares to 7 participants at the same grant price on the same date under the Reserved Grant pursuant to the Incentive Scheme. For further details, please refer to the announcement of the Company in this regard dated September 10, 2021.

Pursuant to the "Proposal on the First Grant of Restricted Shares to the Participants" and the "Proposal on the Grant of Part of the Reserved Restricted Shares to the Participants", which have been considered at the sixth extraordinary meeting of the Second Session of the Board on September 10, 2021, a total of 395 participants have been granted 924,990 Restricted Shares under the Incentive Scheme. As of December 31, 2021, 10 participants granted under the First Grant pursuant to the Incentive Scheme have resigned due to personal reasons and were no longer eligible employees under the Incentive Scheme, and thus 16,890 Restricted Shares that have been granted but not attributed to them shall not be attributed and shall be cancelled.

During the Reporting Period, no Restricted Shares have been attributed to any participants for the financial year of 2021 under the Incentive Scheme. Given that the Company has not achieved its performance indicators at Company level under the Incentive Scheme, the attribution conditions of the First Grant have not been fully fulfilled, and 454,050 Restricted Shares granted under the First Grant pursuant to the Incentive Scheme shall be cancelled accordingly. The number of Restricted Shares granted under the Incentive Scheme but not attributed shall be changed from 924,990 to 454,050, and the number of eligible employees shall be changed to 385 under the Incentive Scheme during the Reporting Period.

The cancellation of part of the Restricted Shares granted will not have any material impact on the financial positions and operating results of the Company, nor will it affect the stability of the Company's core management team, or the continuous implementation of the Incentive Scheme.

As of the date of this report, the Company does not have any share option scheme that is subject to the disclosure requirements under Chapter 17 of the Hong Kong Listing Rules.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the Reporting Period or subsisted at the end of the Reporting Period.

DIRECTORS AND SUPERVISORS

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

Executive Directors
Dr. Xuefeng YU *(Chairman)*
Dr. Shou Bai CHAO
Dr. Tao ZHU
Dr. Dongxu QIU
Ms. Jing WANG *(effective on October 11, 2021)*

Non-Executive Directors
Mr. Qiang XU *(ceased from September 10, 2021)*
Mr. Liang LIN
Ms. Nisa Bernice Wing-Yu LEUNG
Mr. Zhi XIAO

Independent non-executive Directors
Mr. Shiu Kwan Danny WAI
Ms. Zhu XIN
Mr. Shuifa GUI
Mr. Jianzhong LIU

Supervisors
Ms. Jiangfeng LI *(Chairwoman)*
Dr. Zhongqi SHAO *(effective on May 28, 2021)*
Ms. Jieyu ZOU *(ceased from May 28, 2021)*
Ms. Zhengfang LIAO

Ms. Jieyu ZOU tendered her resignation as a Supervisor of the Company on March 26, 2021 due to other work engagement with effect from the conclusion of the 2020 annual general meeting of the Company on May 28, 2021. Dr. Zhongqi SHAO was nominated by Dr. Yu to be a candidate of Supervisor, and agreed by the Board of Supervisors, and was further approved by the Shareholders to become a Supervisor in replace of Ms. Jieyu ZOU at the 2020 annual general meeting of the Company on May 28, 2021. For details, please refer to the circular dated April 20, 2021 and the announcement of the Company in this regard dated March 28, 2021.

Ms. Jing WANG was nominated as a candidate for executive Director of the Second Session of the Board on September 10, 2021 and further approved by the Shareholders to become an executive Director at the 2021 third extraordinary general meeting of the Company on October 11, 2021. For details, please refer to the circular dated September 23, 2021 and the announcement of the Company dated September 10, 2021.

DIRECTORS' AND SUPERVISORS' BIOGRAPHICAL DETAILS

Details of Directors and Supervisors are set out in "Directors, Supervisors and Senior Management" on pages 20 to 28 of this report. Save as disclosed in that section, up to the date of this report, there were no changes to the information which are required to be disclosed by Directors and Supervisors pursuant to Rules 13.51(2)(a) to 13.51(2)(e) and 13.51(2)(g) of the Hong Kong Listing Rules.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Details of Directors' and Supervisors' service contracts are set out in the section headed "Appointment, Re-election and Removal of Directors" on page 31 of the Corporate Governance Report. The Company did not enter into any relevant unexpired service contracts with them which are not determinable by the Company within a year without payment of any compensation (other than statutory compensation).

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

None of the Directors, Supervisors or any of their respective associates were granted by the Company or its subsidiaries any right to acquire shares in, or debentures of, the Company or its subsidiary, or had exercised any such right during the Reporting Period.

COMPETING INTEREST AND OTHER INTEREST

None of the Directors or the Supervisors or any entity connected with them had any material interest, either directly or indirectly, in any contract, transaction or arrangement of significance to the Company's business to which the Company, any of its holding companies, any of its subsidiaries, fellow subsidiaries was a party subsisted at the end of the year or at any time during the Reporting Period.

During the Reporting Period, none of the Directors and their respective associates had an interest in a business which causes or may cause any significant competition with the business of the Company and any other conflicts of interest which any such person has or may have with the Company.

During the Reporting Period, the Group has not entered into any contract of significance with the Controlling Shareholders (other than the service contracts of Directors and senior management).

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received a confirmation of independence pursuant to Rule 3.13 of the Hong Kong Listing Rules from each of the independent non-executive Directors and considers such Directors to be independent in accordance with Rule 3.13 of the Hong Kong Listing Rules.

MANAGEMENT CONTRACTS

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

EMPLOYEE AND REMUNERATION POLICY

As of December 31, 2021, to facilitate the manufacture, marketing and sales of our vaccines, the Group had 1,946 employees (December 31, 2020: 733).

The number of employees employed by the Group varies from time to time. The remuneration package of our employees includes salary, bonus, and incentive shares (if any) under the Company's incentive schemes, which are generally determined by their qualifications, industry experience, position and performance. The Company makes contributions to social insurance and housing provident funds as required by the PRC laws and regulations.

The total employee benefit expenses incurred by the Group for the year ended December 31, 2021 was approximately RMB541.3 million (2020: approximately RMB205.9 million).

During the year ended December 31, 2021, the Group did not experience any material labor disputes or strikes that may have a material and adverse effect on our business, financial condition or results of operations, or any difficulty in recruiting employees.

The Remuneration and Assessment Committee of the Company was set up for reviewing the Company's emolument policy and any long-term incentive schemes, and structure for all remuneration of the Directors and senior management of the Company, having regard to the Company's operating results, individual performance of the Directors and senior management and comparable market practices.

PENSION SCHEME

The employees of the Group's subsidiaries in the PRC are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Employee benefits to all eligible employees of the overseas subsidiaries are made in accordance with the rules set forth in the collective labor agreement, and recorded as an expense in the period they are due as a charge to the statement of profit or loss.

Details of the pension scheme of the Group are set out in note 8 to the consolidated financial statements. During the Reporting Period, there were no forfeited contribution under the Group's pension scheme, and no forfeited contribution (if allowed under applicable laws) were used by the Company to reduce the existing level of contribution.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and five highest paid individuals are set out in notes 36(a) and 8(b) 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.

CORPORATE GOVERNANCE

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

The Company has adopted the code provisions of the CG Code as its own code of corporate governance. The Board is of the view that the Company has complied with all applicable code provisions of the CG Code for the Reporting Period, except for the following:

In respect of code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer of the Company are not separate and are both performed by Dr. Yu. The Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) decision to be made by the Board requires approval by at least a majority of the Directors; (ii) Dr. Yu and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of the Company and will make decisions for our Company accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company. Moreover, the overall strategic and other key business, financial, and operational policies of the Company are made collectively after thorough discussion at both Board and senior management levels. The Board will continue to review the effectiveness of the corporate governance structure of the Company in order to assess whether separation of the roles of chairman of the Board and chief executive officer is necessary.

The corporate governance report is set out on pages 29 to 42 of this report.

The Company is committed to achieving improvement in environmental performance and complying with the relevant environmental protection regulations and rules. The Company will publish its Corporate Social Responsibility Report on the website of Shanghai Stock Exchange. For details, please refer to the overseas regulatory announcement of the Company in respect of Corporate Social Responsibility Report of the Company to be issued separately by the Company on March 27, 2022. The ESG Report of the Company prepared in accordance with Appendix 27 of the Hong Kong Listing Rules will be issued separately within the period as required by the Hong Kong Listing Rules.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the Directors and Supervisors.

Having made specific enquiry of all Directors and Supervisors, all of them have confirmed that they have complied with the Model Code throughout the Reporting Period. No incident of non-compliance of the Model Code by the employees who are likely to be in possession of inside information of the Company was noted by the Company.

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

As of December 31, 2021, the interests and short positions of the Directors, Supervisors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or as otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

Interests in Shares or underlying Shares of the Company

Name of Director/Supervisor	Capacity/Nature of interest	Class of Shares	Number of Shares	Approximate % of total shareholding interest in our Company	Approximate % of the relevant class of Shares[1]
Dr. Yu	Beneficial owner, interest of a party to an agreement regarding interest in the Company[2]	H Share	34,598,400(L)	13.98%	26.08%
	Beneficial owner, interest of a party to an agreement regarding interest in the Company[2]	A Share	34,598,400(L)	13.98%	30.14%
Dr. Zhu	Interest of a party to an agreement regarding interest in the Company[2]	H Share	34,598,400(L)	13.98%	26.08%
	Beneficial owner, interest of a party to an agreement regarding interest in the Company[2], interest in a controlled corporation[3]	A Share	42,579,625(L)	17.21%	37.10%
Dr. Qiu	Beneficial owner, interest of a party to an agreement regarding interest in the Company[2]	H Share	34,598,400(L)	13.98%	26.08%
	Beneficial owner, interest of a party to an agreement regarding interest in the Company[2]	A Share	34,598,400(L)	13.98%	30.14%
Dr. Chao	Interest of spouse[4]	H Share	11,924,700(L)	4.82%	8.99%
	Interest of spouse[4]	A Share	4,409,500(L)	1.78%	3.84%
Ms. Nisa Bernice Wing-Yu LEUNG	Beneficial owner	H Share	191,071(L)	0.08%	0.14%
Dr. Zhongqi SHAO	Beneficial owner	H Share	675,000(L)	0.27%	0.51%
Mr. Jianzhong LIU	Beneficial owner	H Share	1,000(L)	0.00%	0.00%

Notes:

(1) The percentage is calculated based on the number of relevant class of Shares in issue as of December 31, 2021.

(2) Pursuant to the Concert Party Agreement.

(3) Dr. Zhu is the sole general partner of Tianjin Qianyi Enterprise Management Partnership (Limited Partnership) (天津千益企業管理合夥企業(有限合夥)) (the "**Tianjin Qianyi**"), Tianjin Qianrui Enterprise Management Partnership (Limited Partnership) (天津千睿企業管理合夥企業(有限合夥)(the "**Tianjin Qianrui**") and Tianjin Qianzhi Enterprise Management Partnership (Limited Partnership) (天津千智企業管理合夥企業(有限合夥)) (the "**Tianjin Qianzhi**"), which hold 1.40%, 1.33% and 0.49% of the issued share capital of our Company, respectively. Therefore, Dr. Zhu is deemed to be interested in the Shares held by Tianjin Qianyi, Tianjin Qianrui and Tianjin Qianzhi, all of which are A Shares.

(4) Dr. Chao is the spouse of Dr. Mao, one of our Controlling Shareholders. Therefore, Dr. Chao is deemed to be interested in the Shares held by Dr. Mao and SCHELD Holding Limited, a company controlled by Dr. Mao, under the SFO.

(5) (L) – Long position.

Save as disclosed above, as of December 31, 2021, to the best knowledge of the Directors, Supervisors or chief executive of the Company, none of the Directors, Supervisors or chief executive of the Company had interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations as recorded in the register required to be kept, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or as otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

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

As of December 31, 2021, so far as it was known to the Directors or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

Interests in Shares or underlying Shares of the Company

Name of substantial shareholder	Capacity/Nature of interest	Class of Shares	Number of Shares	Approximate % of total shareholding interest in our Company	Approximate % of the relevant class of Shares
Dr. Mao	Beneficial owner, interest of a party to an agreement regarding interest in the Company(1), interest in a controlled corporation(2)	H Share	34,598,400(L)	13.98%	26.08%
	Beneficial owner, interest of a party to an agreement regarding interest in the Company(1)	A Share	34,598,400(L)	13.98%	30.14%
The Capital Group Companies, Inc.	Interest in a controlled corporation	H Share	30,606,287(L)	12.37%	23.07%
JPMorgan Chase & Co.	Interest in a controlled corporation, Investment manager, person having a security interest in shares, approved lending agent	H Share	13,338,428(L) 1,825,730(S) 10,761,205(P)	5.39% 0.74% 4.35%	10.05% 1.37% 8.11%

Name of substantial shareholder	Capacity/Nature of interest	Class of Shares	Number of Shares	Approximate % of total shareholding interest in our Company	Approximate % of the relevant class of Shares
Shi Yi	Interest in a controlled corporation	H Share	12,585,562(L)	5.09%	9.49%
LAV Management Company, Limited	Investment Manager	H Share	10,860,962(L)	4.39%	8.19%
Citigroup Inc.	Interest in controlled corporation, approved lending agent	H Share	7,543,611(L) 1,298,600(S) 2,893,876(P)	3.05% 0.52% 1.17%	5.68% 0.97% 2.18%
Qiming Corporate GP IV, Ltd.	Interest in a controlled corporation	H Share	7,516,538(L)	3.04%	5.67%
Qiming GP IV, L.P.	Interest in a controlled corporation	H Share	7,516,538(L)	3.04%	5.67%
Qiming Venture Partners IV, L.P.	Interest in a controlled corporation	H Share	7,516,538(L)	3.04%	5.67%
QM29 Limited	Beneficial owner	H Share	7,516,538(L)	3.04%	5.67%
SDIC Fund Management Company Ltd. (國投創新投資管理有限公司)	Investment Manager	A Share	6,873,841(L)	2.78%	5.99%
Future Industry Investment Fund (Limited Partnership) (先進製造產業投資基金（有限合夥))	Beneficial owner	A Share	6,873,841(L)	2.78%	5.99%

Notes:

(1) Pursuant to the Concert Party Agreement.

(2) On January 21, 2022, Dr. Mao transferred 1,138,759 H Shares of the Company held by her to SCHELD Holding Limited, a company wholly owned by Dr. Mao as of the date of the report. As a result of such transfer, the Concert Party Agreement was amended on January 26, 2022 to reinforce that the parties acting in concert shall vote (and procure the entities held by them if any to vote) unanimously for any resolutions proposed at any Shareholders' meeting of the Company. The composition of the group of parties acting in concert, the amount of Shares held by the parties acting in concert and the voting rights attaching thereto remained unchanged after such transfer. For further details, please refer to the overseas regulatory announcement of the Company dated January 27, 2022.

(3) (L) – Long position
(S) – Short position
(P) – Lending pool

Save as disclosed above, as of December 31, 2021, to the best knowledge of the Directors, Supervisors or chief executive of the Company, none of the substantial Shareholders of the Company had interests or short positions in the Shares and underlying Shares of the Company or its associated corporations as recorded in the register required to be kept, pursuant to Section 336 of the SFO.

USE OF PROCEEDS FROM LISTING OF H SHARES AND A SHARE OFFERING

Use of H-Share IPO Proceeds

The Company received net proceeds (after deduction of underwriting commissions and related costs and expenses) from its Listing of H Shares and the exercise of over-allotment option of approximately HK$1,309.8 million in aggregate, equivalent to approximately RMB1,122.3 million (the "**H-Share IPO Proceeds**"). Taking into account the net proceeds received from the A Share Offering, together with the market collaboration with Pfizer and the Company's operation needs, in order to strengthen the Company's capital efficiency, on August 21, 2020, the Board resolved to change the use of the remaining unutilized H-Share IPO Proceeds of approximately RMB682.8 million in total as of June 30, 2020, which was subsequently approved by the Shareholders of the Company on October 9, 2020.

The table below sets out, among other things, the revised allocation of unutilized H-Share IPO Proceeds as of June 30, 2020 and the actual usage of the re-allocated H-Share IPO Proceeds up to December 31, 2021. The Company prioritized the use of A-Share IPO Proceeds (as defined below) after receiving it, and thus the actual usage of corresponding H-Share IPO Proceeds was delayed.

Intended use of H-Share Proceeds	Proposed use of H-Share IPO Proceeds as of the time of Listing (RMB million)	Unutilized H-Share IPO Proceeds as of June 30, 2020 (RMB million)	Revised allocation of unutilized H-Share IPO Proceeds as of June 30, 2020 (RMB million)	Actual usage during the Reporting Period (RMB million)	Actual usage up to December 31, 2021 (RMB million)	Unutilized net proceeds as of December 31, 2021 (RMB million)	Expected time of full utilization of remaining balance
Research and development and commercialization of MCV candidates	505.1	458.2	38.2	1.7	52.8	32.2	By the end of 2022[1]
Research and development of DTcP candidates	224.5	166.6	166.6	0.8	62.1	162.4	By the end of 2023
Research and development of other key products	168.3	41.8	41.8	4.9	138.3	30.0	By the end of 2022[2]
Continued R&D of our pre-clinical vaccine candidates	112.2	10.7	10.7	2.8	112.2	0	NA
Working capital and other general corporate purposes	112.2	5.5	5.5	1.9	112.2	0	NA
(i) cooperation, licensing and introduction of advanced technologies, vaccine candidates and biological products; (ii) development of vaccine candidates; and (iii) acquisition of high-quality assets related to vaccines and biological products	–	–	420.0	–	–	420.0	By the end of 2023
Total	1,122.3	682.8	682.8	12.2	477.6	644.6	

Notes:

1. As MCV2 and MCV4 was granted NDA approval by the NMPA in late June and December 2021 respectively, the commercialization of the above products was delayed accordingly. Thus, the expected time of full utilization of remaining balance was delayed for one year.

2. The progress of other key products in the pipeline was delayed to a certain degree as most of our resources have been allocated to support the R&D and commercialization of our Ad5-nCoV in response to the needs of epidemic prevention. Thus, the expected time of full utilization of remaining balance was delayed for one year.

USE OF A-SHARE IPO PROCEEDS

The A Shares were listed on the Sci-Tech Innovation Board of Shanghai Stock Exchange on August 13, 2020. The Company received net proceeds (after deduction of underwriting commissions and related costs and expenses) from the A Share Offering of approximately RMB4,979.5 million (the "**A-Share IPO Proceeds**"). Taking into the account the trend of the vaccine industry and the Company's long-term development strategies, in order to improve the Company's capabilities of R&D, manufacturing, testing and storage, on April 29, 2021, the Board resolved to change the use of the remaining unutilized A-Share IPO Proceeds, which was subsequently approved by the Shareholders of the Company on May 28, 2021.

The table below sets out, among other things, the planned applications of the A-Share IPO Proceeds and actual usage up to December 31, 2021:

Intended use of A-Share IPO Proceeds	Planned applications of A-Share IPO Proceeds (RMB million)	Revised Planned applications of A-Share IPO Proceeds (RMB million)	Actual usage during the Reporting Period (RMB million)	Actual usage up to December 31, 2021 (RMB million)	Unutilized net proceeds as of December 31, 2021 (RMB million)	Expected time of full utilization of remaining balance
CanSino Innovative Vaccine Industrial Campus Project [1]	550.0	1,100.0	124.0	124.0	976.0	By the end of 2024
Development of vaccine candidates	150.0	150.0	11.1	17.6	132.4	By the end of 2023
Construction of vaccine traceability and cold chain logistics system and information system	50.0	50.0	20.6	22.5	27.5	By the end of 2022
Working capital	250.0	250.0	–	250.0	–	NA
Sub-total [2]	1,000.0	1,550.0	155.7	414.1	1,135.9	NA
Over-raised proceeds from A Share Offering [2, 3]	3,979.5	3,429.5	1,190.0	2,380.0	1,049.5	By the end of 2023
Total	4,979.5	4,979.5	1,345.7	2,794.1	2,185.4	

Notes:

1. On April 29, 2021, the Board proposed to upgrade and replace the construction plan of phase II manufacture facilities with the CanSino Innovative Vaccine Industrial Campus Project, which was subsequently approved by the Shareholders on May 28, 2021. The Company plans to invest approximately RMB2,244.7 million into the CanSino Innovative Vaccine Industrial Campus Project, which will be funded by (1) the proposed change of use in the unutilized A-Share IPO Proceeds planned for the construction of phase II manufacture facilities, being approximately RMB550.0 million, as well as any interests generated therefrom; (2) the proposed application of a portion of the unutilized over-raised proceeds from the A Share Offering of RMB550.0 million; and (3) the Group's internal resources and bank borrowings to be arranged by the Company (if any) to cover the remaining amount. For details, please refer to the circular of the Company published on the website of Hong Kong Stock Exchange dated May 12, 2021 in relation to the proposed change in use of proceeds from A Share Offering.

2. The A-Share IPO Proceeds consist of: (1) a total of RMB1,000.0 million, the proposed applications of which have been disclosed in the prospectus of the A Share Offering; and (2) the over-raised proceeds of RMB3,979.5 million. STAR Market Listing Rules do not require intended use to be applied to the over-raised proceeds obtained from A Share Offering. Any subsequent intended use for the over-raised proceeds from A Share Offering shall be approved by the Shareholders at a general meeting.

3. As approved by the Shareholders of the Company at the extraordinary general meeting held on October 11, 2021, a total amount of RMB1,190.0 million of the over-raised proceeds from A Share Offering has been used to permanently supplement working capital. The Company will use the unutilized over-raised proceeds from A Share Offering for future business needs after obtaining approvals from the Shareholders at a general meeting in accordance with relevant requirements of the Shanghai Stock Exchange, and disclose relevant plans in due course.

The expected timeline for utilizing the remaining proceeds from each of the Listing of H Shares and A Share Offering is set on the basis of the best estimation of the Company, taking into account, among other factors, prevailing and future market conditions and business developments and needs, and therefore is subject to change. Based on our estimates, we currently intend to apply the unutilized net proceeds in accordance with the plans set out in the above tables.

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

The Company or any of its subsidiaries had not purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

CONTINUING CONNECTED TRANSACTION

Pursuant to the requirements of the Hong Kong Listing Rules, the transactions between the Company and its connected persons (as defined under the Hong Kong Listing Rules) constitute connected transactions of the Company. The Company regulates and manages such transactions in compliance with the Hong Kong Listing Rules. Set forth below is the non-fully exempt continuing connected transaction conducted by the Group during the Reporting Period.

Non-fully Exempt Continuing Connected Transaction

On July 16, 2021, CanSino SPH, a non-wholly owned subsidiary of the Company, has entered into the Service Agreement with Shanghai Pharma, pursuant to which Shanghai Pharma has agreed to provide personnel secondment services to CanSino SPH, in a view to expediting the manufacture and supply of Ad5-nCoV. Shanghai Sunway Biotech, as a substantial shareholder of CanSino SPH, became a connected person of the Company at the subsidiary level after the Capital Increase. Accordingly, Shanghai Pharma, as the holding company of Shanghai Sunway Biotech, became an associate of a connected person of the Company at the subsidiary level. Hence, the entering into of the Service Agreement with Shanghai Pharma and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

Pursuant to Rule 14A.101 of the Hong Kong Listing Rules, as (i) Shanghai Pharma is an associate of a connected person of the Company at the subsidiary level; (ii) the Service Agreement was entered into by and between the parties on normal commercial terms and in the ordinary and usual course of business of the Group; (iii) the Board (including all the independent non-executive Directors) has approved the Service Agreement and transactions contemplated thereunder, and confirmed that the terms of the Service Agreement are fair and reasonable, and the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and the shareholders as a whole, the Service Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempted from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Principal terms

Term	From July 16, 2021 to May 31, 2022
Services to be provided by Shanghai Pharma	Shanghai Pharma has agreed to second several personnel from itself and/or its subsidiaries to CanSino SPH for providing technical consulting, general management and other services, in a view to expediting the manufacture and supply of Ad5-nCoV.
Pricing policy for providing the personnel secondment services	The pricing for personnel secondment services to be provided by Shanghai Pharma to CanSino SPH were determined principally on arm's length commercial negotiations and on the hourly rates with reference to where applicable, the positions, expertise, work experience, and relevant industry salary level of the secondment personnel. The purchase of services from Shanghai Pharma under the Service Agreement will be conducted in the ordinary and usual course of business of the Group on normal commercial terms, and on terms not less favourable than those to be provided by other independent third parties (if available).
Payment method	The service payment under the Service Agreement will be made in cash on a monthly basis.

Reasons for and benefits of the transaction

As of the date of this report, CanSino SPH, as a subsidiary of the Company, is primarily engaged in the manufacture and supply of Ad5-nCoV. The transactions contemplated under the Service Agreement will enable CanSino SPH to quickly get access to personnel that have been trained to master necessary skills and knowledge. The Service Agreement and the transactions contemplated thereunder will facilitate the manufacture and supply of Ad5-nCoV, so as to meet the market needs of COVID-19 vaccines.

Annual cap

The annual caps are based on the maximum personnel secondment service fees expected to be payable by CanSino SPH to Shanghai Pharma under the Service Agreement and are as follows:

	From the date of the Service Agreement to December 31, 2021 (RMB million)	For the year ending December 31, 2022[1] (RMB million)
Maximum personnel secondment services fees under the Service Agreement	**40**	20

Note:

1. The Service Agreement will expire on May 31, 2022. If any further personal secondment services will be incurred after the expiration of the Service Agreement, the Company will renew such agreement and revise the annual cap for the year ending December 31, 2022 in due course, and comply with other relevant requirements under the Hong Kong Listing Rules. The Company currently expects that the service fees payable for the remaining term of the Service Agreement will not exceed the annual cap.

The annual caps are determined with reference to: (1) the anticipated demand of personnel from Shanghai Pharma and its subsidiaries and the anticipated time such personnel will spend to meet the manufacture and supply needs of Ad5-nCoV; (2) the hourly rates of these personnel with reference to their positions, expertise, work experience and relevant industry salary level; (3) anticipated travel, accommodation and other general costs of these personnel; and (4) a buffer to a certain degree which is necessary to accommodate the unexpected fluctuation due to the potential service demands.

Actual transaction amount

The actual transaction amount under the Service Agreement paid to Shanghai Pharma for the year ended December 31, 2021 was approximately RMB8.8 million. The actual transaction amount was significantly lower than the expected annual cap, which was because most of the personnel providing secondment services was recruited by CanSino SPH during the Reporting Period. As a result, the actual needs of secondment of personnel were reduced.

Annual review by the independent non-executive Directors and the auditor

The independent non-executive Directors have reviewed the transaction under the Service Agreement on an annual basis in accordance with Rule 14A.55 of the Hong Kong Listing Rules, and confirmed that the continuing connected transaction was entered into: (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

The auditor of the Company have reviewed the transaction under the Service Agreement on an annual basis in accordance with Rule 14A.56 of the Hong Kong Listing Rules and have issued their independent assurance report to the Board containing their findings and conclusions that the transaction under the Service Agreement: (i) nothing has come to their attention that causes the auditor to believe that the disclosed continuing connected transaction has not been approved by the Board; (ii) nothing has come to their attention that causes the auditor to believe that the disclosed continuing connected transaction was not entered into in all material respects in accordance with the relevant agreement governing the transaction; and (iii) nothing has come to their attention that causes the auditor to believe that the disclosed continuing connected transaction has exceeded the annual cap as set by the Company.

Save as disclosed above, the Group had no other non-fully exempt continuing connected transactions for the year ended December 31, 2021 (2020: nil). The Group has complied with the applicable disclosure requirements under Chapter 14A of the Hong Kong Listing Rules during the Reporting Period.

RELATED PARTY TRANSACTIONS

During the year ended December 31, 2021, save as disclosed below in note 35 to the financial statements, the Group did not have any significant transactions with related parties (2020: nil).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the relevant laws of the PRC that would oblige the Company to offer new Shares on a pro rata basis to 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 listed securities. If any of the Shareholders is unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the Shares, he or she is advised to consult an expert.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Reporting Period, the Company has complied with all relevant laws and regulations that have a significant impact on the Company, including but not limited to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), the Hong Kong Listing Rules, the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), the STAR Market Listing Rules, Civil Code of the People's Republic of China 《中華人民共和國民法典》, the Company Law, Foreign Investment Law of the People's Republic of China 《中華人民共和國外商投資法》, Pharmaceutical Administration Law of the People's Republic of China 《中華人民共和國藥品管理法》, Regulations for the Implementation of the Drug Administration Law of the People's Republic of China 《中華人民共和國藥品管理法實施條例》, Pharmacopoeia of the People's Republic of China 《中華人民共和國藥典》, Measures for the Supervision over and Administration of Pharmaceutical Production 《藥品生產監督管理辦法》, Measures for the Administration of Lot Release of Biological Products 《生物製品批簽發管理辦法》, Regulation of Vaccine Storage and Transportation 《疫苗儲存和運輸管理規範》, Regulation on the Administration of Circulation and Vaccination of Vaccines 《疫苗流通和預防接種管理條例》, Provisions for Drug Registration 《藥品註冊管理辦法》, Regulation on the Management of On-site Verification for Drug Registration 《藥品註冊現場核查管理規定》, Administrative Measures for Drug Recalls 《藥品召回管理辦法》, Principles of Risk Assessment for Onsite Inspection of Pharmaceutical Manufacturers 《藥品生產企業現場檢查風險評定原則》, and GMP 《藥品生產質量管理規範》 and its appendices, Vaccine Administration Law of the People's Republic of China 《中華人民共和國疫苗管理法》, Law of the People's Republic of China on Prevention and Treatment of Infectious Diseases 《中華人民共和國傳染病防治法》 and their rules for implementation.

PERMITTED INDEMNITY PROVISION

During the Reporting Period and as of December 31, 2021, the Company had purchased liability insurance for Directors and Supervisors which provides proper protection from liabilities arising from or in connection with the performance of their duties.

PUBLIC FLOAT

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

FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last five financial years (prepared in accordance with HKFRS) are set out on page 4 of this report. This summary does not form part of the audited consolidated financial statements.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company will be held in due course. A notice convening the annual general meeting and setting out the arrangements in relation to the closure of register of members will be published and dispatched to the Shareholders in due course in accordance with the requirements of the Hong Kong Listing Rules.

AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive Directors being Ms. Zhu XIN (Chairwoman), Mr. Shiu Kwan Danny WAI and Mr. Shuifa GUI. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Company and overseeing the audit process.

The Audit Committee has reviewed together with the management and external auditors of the Company, the accounting principles and policies adopted by the Company and the audited consolidated financial statements for the year ended December 31, 2021.

AUDITOR

PricewaterhouseCoopers has acted as auditor of the Company for the year ended December 31, 2020 and retired in the annual general meeting on May 28, 2021.

The audited consolidated financial statements for the year ended December 31, 2021 has been audited by Deloitte Touche Tohmatsu. Deloitte Touche Tohmatsu shall retire in the forthcoming annual general meeting and, being eligible, will offer themselves for re-appointment. A resolution to re-appoint Deloitte Touche Tohmatsu as auditor of the Company and to authorise the chairman to determine the specific matters, including but not limited to its remuneration will be proposed at the forthcoming annual general meeting.

By order of the Board
CanSino Biologics Inc.
Xuefeng YU
Chairman

Hong Kong,
March 25, 2022

REPORT OF THE BOARD OF SUPERVISORS FOR 2021

With the joint efforts of all Supervisors of the Company and in accordance with the laws and regulations such as the Company Law, the provisions of the Articles of Association and the Rules of Procedures for Meeting of the Board of Supervisors, the Board of Supervisors, in the spirit of being responsible to all Shareholders, conscientiously performed the duties and powers bestowed upon it by relevant laws and regulations, actively and effectively carried out the work, supervised the compliance of the operation of the Company and the performance of duties by the Directors and senior management of the Company, and safeguarded the legitimate rights and interests of the Company as well as its Shareholders.

The work of the Board of Supervisors in 2021 and the work plan for 2022 are hereby reported as follows:

I. REPORT OF THE BOARD OF SUPERVISORS FOR 2021

(I) Meetings of the Board of Supervisors

1. On March 26, 2021, the Company held the fourth meeting of the Second Session of the Board of Supervisors, at which the "Proposal on the Work Report of the Board of Supervisors for 2020", "Proposal on the Annual Report for 2020 and its Summary", "Proposal on the Financial Accounts Report and Financial Audit Report for 2020", "Proposal on the Financial Budget Report for 2021", "Proposal on the Proposal on Profit Distribution Plan for 2020", "Proposal on the Appointment of Domestic and Foreign Auditors and Internal Control Auditors for 2021", "Proposal on the Remuneration of Senior Management for 2020 and 2021", "Proposal on the Request to the General Meeting for General Mandate for the Issuance of A Shares and/or H Shares by the Board of Directors of the Company", "Proposal on New/Renewal of Bank Credit Facilities for 2021", "Proposal on the Special Report on the Deposit and Use of Proceeds for 2020", "Proposal on the Use of Idle Self-owned Funds for Cash Management", "Proposal on the Election of Non-Employee Representative Supervisors of the Second Session of the Board of Supervisors of the Company", and "Proposal on the Company's Uncompensated Losses Reaching One-third of the Total Paid-in Capital" were approved.

2. On April 29, 2021, the Company held the fifth meeting of the Second Session of the Board of Supervisors, at which the "Proposal on the First Quarterly Report of CanSino Biologics Inc. for 2021" and the "Proposal on Changing Part of the Investment Projects to be funded by Proceeds and Using the Over-raised Proceeds to Invest in CanSino Innovative Vaccine Industrial Campus Project" were considered and approved.

3. On July 16, 2021, the Company held the sixth meeting of the Second Session of the Board of Supervisors, at which the "Proposal on the Signing of the Relevant Agreement and Related Transaction Between Shanghai Pharma and Our Subsidiary CanSino SPH" was considered and approved.

4. On August 20, 2021, the Company held the seventh meeting of the Second Session of the Board of Supervisors, at which the "Proposal on the Company's <2021 Restricted Share Incentive Scheme (Draft)> and its summary", the "Proposal on the Company's <Management Measures for Assessment for the Implementation of the 2021 Restricted Share Incentive Scheme>", and the "Proposal on the Verification of the Company's <List of the Participants under Restricted Share Incentive Scheme for 2021>" were considered and approved.

5. On August 27, 2021, the Company held the eighth meeting of the Second Session of the Board of Supervisors, at which the "Proposal on the Interim Report for 2021 and its Summary", the "Proposal on the Interim Report on the Deposit and Use of Proceeds for the Period for 2021" and "Proposal on the Use of Temporarily Idle Proceeds for Cash Management" were considered and approved.

6. On September 10, 2021, the Company held the ninth meeting of the Second Session of the Board of Supervisors, at which the "Proposal on Adjusting Matters Related to the First Grant of the 2021 Restricted Share Incentive Scheme", the "Proposal on the First Grant of Restricted Shares to the Participants", the "Proposal on the Grant of Part of the Reserved Restricted Shares to the Participants", and the "Proposal on Using Part of the Over-raised Proceeds to Permanently Supplement the Working Capital" were considered and approved.

7. On October 28, 2021, the Company held the tenth meeting of the Second Session of the Board of Supervisors, at which the "Proposal on the Third Quarterly Report of CanSino Biologics Inc. for 2021" was considered and approved.

(II) Main Work of the Board of Supervisors During the Reporting Period Include:

1. Attend Shareholders' meetings of the Company to understand the operation of the Shareholders' meetings;

2. Sit in the meetings of the Board of Directors of the Company to understand the operation of the Board of Directors;

3. Attend the general managers' meetings held by the Company to understand the operation of the Company; and

4. Review the financial reports of the Company and the audit reports submitted by the accounting firm.

II. OPINIONS OF THE BOARD OF SUPERVISORS DURING THE REPORTING PERIOD

(I) Compliance of the Operation

The members of the Board of Directors and senior management of the Company operated in strict compliance with the relevant provisions of the Company Law and the Articles of Association, diligently and responsibly performed their duties with a scientific and reasonable decision-making process and earnestly implemented each resolution of the Shareholders' meetings, and the Board of Supervisors was not aware of any illegal act or actions against the interests of the Company.

(II) Financial Position of the Company

In 2021, the Board of Supervisors examined and supervised the financial operation of the Company by listening to the report of the financial officers of the Company, reviewing the annual report of the Company and examining the audit report issued by the accounting firm. The Company's financial statements were prepared in compliance with the related requirements of the Accounting Standards for Enterprises and the financial report of the Company for 2021 presented a true view on the financial position of the Company. The audit opinion issued by the auditor was objective and fair.

(III) Internal Control

Based on the relevant regulations of the Company Law and the Articles of Association together with its actual condition, the Company established a comprehensive internal management and internal control system, which ensures the normal operation of the Company. The Company has a complete internal control organization and an internal audit department with sufficient staff to ensure full and effective implementation and supervision of the Company.

(IV) Deposit and Use of Proceeds by the Company

The Company's deposit and actual use of proceeds in 2021 was in compliance with the relevant laws and regulations of the CSRC and Shanghai Stock Exchange, and the actual investment projects using the Company's proceeds were consistent with the committed projects. On the premise of ensuring the safety of the proceeds and not affecting the investment plan of the proceeds, the Company used part of the temporarily idle proceeds for cash management, which was conducive to improving the efficiency of the use of the proceeds. The management and use of the Company's proceeds were in strict compliance with the relevant laws and regulations, while the approval procedures were lawful and effective. There were no incidents that was against the interests of the Company and the Shareholders.

(V) Related Transactions

The related transactions of the Company are fair and just, in compliance with the relevant requirements of national laws and regulations and the Articles of Association of the Company, reflecting the principle of market-oriented fairness. The voting procedures are in compliance with laws and regulations, and there were no acts against the interests of the Company or the Shareholders detected.

III. WORK PLAN FOR 2022

The Board of Supervisors will further regulate the work of the Board of Supervisors in accordance with the Company Law, the Articles of Association as well as relevant laws and regulations, reinforce its supervision and safeguard the interests of the Company and its Shareholders:

(1) Play a key role in professional supervision and inspection in corporate governance.

(2) Strengthen the awareness to the Company's material issues such as external investment and related transactions.

(3) Further reinforce the supervision and inspection of the financial position of the Company.

(4) Supervise the compliance and due diligence of the Directors and senior management of the Company.

(5) Further study the laws and regulations promulgated by the national authorities, actively participate in the training organized by regulatory bodies and industry associations, enhance supervisory awareness and supervisory capability and continuously promote the self-development of the Board of Supervisors.

The Board of Supervisors
CanSino Biologics Inc.
March 25, 2022

Independent Auditor's Report

To the Shareholders of CanSino Biologics Inc.
(incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of CanSino Biologics Inc. (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 71 to 142, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
With the commercialization of some vaccine products in 2021, the revenue generated from sales of vaccine products increased significantly compared with that of the previous year. As disclosed in Note 5, the revenue is approximately RMB 4.30 billion for the year ended 31 December 2021. Revenue has a significant impact on financial statements and is one of the Group's key performance indicators, which has an inherent risk of manipulation to achieve the expected goals. Therefore, we identify the occurrence of revenue recognition as a key audit matter.	Our main procedures in relation to the occurrence of revenue recognition included: 1. Understanding the key controls related to the occurrence assertion of revenue recognition and evaluating the design and operating effectiveness of these controls. 2. Inquiring of the management of the Group and inspecting the terms of the contracts on a sample basis to evaluate whether the point of revenue recognition of the Group complies with HKFRS 15 *Revenue from Contracts with Customers*. 3. For domestic sales transactions: • Performing test of details on a sample basis by checking the recorded revenue transactions to relevant supporting documents; and • Reconciling all the invoices issued for the sales of vaccine products with records from National Tax system. 4. For overseas sales transactions: • Performing confirmation procedures for the revenue from major customers to confirm the transactions of sales revenue. • For the remaining transactions not covered by the confirmation procedures, performing test of details on a sample basis by checking the recorded revenue transactions to relevant supporting documents; and • Reconciling all the sales of vaccine products with records of Customs export declarations.

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 out audit of the consolidated financial statements, out 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 HKFRSs issued by the HKICPA 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.

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' internal control.

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

- 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.

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Chan Men.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
25 March 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Notes	Year ended 31 December 2021 RMB'000	2020 RMB'000
Revenue	5	**4,299,702**	18,544
Cost of sales of goods	7	**(1,296,486)**	(13,804)
Gross profit		**3,003,216**	4,740
Other income	6	**60,767**	114,894
Selling expenses	7	**(105,818)**	(16,562)
Administrative expenses	7	**(231,813)**	(82,875)
Research and development expenses	7	**(878,718)**	(428,485)
Impairment loss of non-financial assets	7	**(1,283)**	(391)
Impairment loss under expected credit loss ("ECL") model	7	**(1,824)**	–
Other gains – net	9	**67,085**	7,820
Operating profit (loss)		**1,911,612**	(400,859)
Finance income	10	**79,651**	31,721
Finance costs	10	**(54,476)**	(27,500)
Finance income – net	10	**25,175**	4,221
Profit (loss) before income tax		**1,936,787**	(396,638)
Income tax expense	11	**(29,701)**	–
Profit (loss) for the year and total comprehensive income (expense)		**1,907,086**	(396,638)
Profit (loss) and total comprehensive income (expense) for the year attribute to:			
– Owners of the Company		**1,914,390**	(396,638)
– Non-controlling interests		**(7,304)**	–
		1,907,086	(396,638)
Earnings (loss) per share			
– Basic and diluted (in RMB)	12	**7.74**	(1.72)

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	As at 31 December 2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**1,973,729**	873,375
Right-of-use assets	15	**343,091**	43,998
Intangible assets	16	**99,790**	36,838
Financial assets at fair value through profit or loss	21	**45,310**	–
Other receivables and prepayments	20	**122,423**	107,778
Term deposits with initial term of over three months	22	**–**	265,441
Total non-current assets		**2,584,343**	1,327,430
Current assets			
Inventories	18	**875,621**	170,512
Trade receivables	19	**157,926**	21,639
Other receivables and prepayments	20	**473,391**	114,823
Financial assets at fair value through profit or loss	21	**1,862,675**	666,640
Term deposits with initial term of over three months	22	**463,358**	–
Cash and cash equivalents	23	**5,456,873**	4,447,029
Total current assets		**9,289,844**	5,420,643
Total assets		**11,874,187**	6,748,073
Capital and Reserves			
Share capital and share premium	24	**6,785,406**	6,772,398
Capital reserves	25	**59,942**	63,148
Statutory reserves		**118,389**	–
Accumulated profits (losses)		**1,031,309**	(764,692)
Equity attributable to owners of the Company		**7,995,046**	6,070,854
Non-controlling interests		**552,838**	–
Total equity		**8,547,884**	6,070,854
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	17	**557**	–
Borrowings	26	**40,000**	90,000
Lease liabilities	27	**222,849**	3,790
Deferred income	28	**187,955**	170,576
Total non-current liabilities		**451,361**	264,366
Current liabilities			
Trade payables	29	**842,567**	60,573
Income tax payables		**29,144**	–
Contract liabilities	5	**193,217**	420
Other payables and accruals	30	**684,520**	299,728
Borrowings	26	**1,080,791**	40,159
Lease liabilities	27	**31,178**	8,588
Deferred income	28	**13,525**	3,385
Total current liabilities		**2,874,942**	412,853
Total liabilities		**3,326,303**	677,219
Total equity and liabilities		**11,874,187**	6,748,073

The consolidated financial statements on page 75 to page 142 were approved and authorised for issue by the board of directors on 25 March 2022.

Director: Xuefeng YU

Director: Shou Bai CHAO

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of the Company							
	Share capital RMB'000	Share premium RMB'000	Capital reserves RMB'000	Statutory reserves RMB'000	Accumulated profits (losses) RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2021	**247,450**	**6,524,948**	**63,148**	**–**	**(764,692)**	**6,070,854**	**–**	**6,070,854**
Total comprehensive income								
– Profit (loss) for the year	**–**	**–**	**–**	**–**	**1,914,390**	**1,914,390**	**(7,304)**	**1,907,086**
Recognition of equity-settled share-based payments	**–**	**–**	**9,802**	**–**	**–**	**9,802**	**–**	**9,802**
Transfer upon vesting of share-based payments (Note 25)	**–**	**13,008**	**(13,008)**	**–**	**–**	**–**	**–**	**–**
Capital injection made by non-controlling interests of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**604,890**	**604,890**
Transferred to statutory reserves (Note)	**–**	**–**	**–**	**118,389**	**(118,389)**	**–**	**–**	**–**
Recognition of gross obligation from put options written	**–**	**–**	**–**	**–**	**–**	**–**	**(604,890)**	**(604,890)**
Transfer of gross obligation upon the forfeiture of put options written (Note 39.1)	**–**	**–**	**–**	**–**	**–**	**–**	**560,142**	**560,142**
Balance at 31 December 2021	**247,450**	**6,537,956**	**59,942**	**118,389**	**1,031,309**	**7,995,046**	**552,838**	**8,547,884**
Balance at 1 January 2020	222,650	1,570,283	45,637	–	(368,054)	1,470,516	–	1,470,516
Total comprehensive expense								
– Loss for the year	–	–	–	–	(396,638)	(396,638)	–	(396,638)
Recognition of equity-settled share-based payments	–	–	17,511	–	–	17,511	–	17,511
Issue of shares	24,800	4,954,665	–	–	–	4,979,465	–	4,979,465
Balance at 31 December 2020	247,450	6,524,948	63,148	–	(764,692)	6,070,854	–	6,070,854

Note:

In accordance with the Articles of Association of the Company, it is required to transfer 10% of the profit after taxation to the statutory reserve until the reserve reaches 50% of the registered capital. Transfer to this reserve must be made before distributing dividends to equity holders. The statutory reserves can be used to make up for previous years' losses, expand the existing operations or convert into additional capital of the Company.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Notes	Year ended 31 December 2021 RMB'000	2020 RMB'000
Operating activities			
Cash generated from (used in) operations	31	**1,945,191**	(499,741)
Income tax paid		**–**	–
Interests received		**69,366**	30,352
Net cash from (used in) operating activities		**2,014,557**	(469,389)
Investing activities			
Purchase of property, plant and equipment		**(1,073,954)**	(269,888)
Payment for an equity investment		**–**	(20,000)
Purchase of wealth management products and structured deposit		**(8,291,000)**	(6,130,000)
Payment for term deposits with initial term of over three months		**(188,048)**	(137,010)
Proceeds from term deposits with initial term of over three months		**–**	625,952
Proceeds from maturity of structured deposit		**7,076,000**	5,601,000
Payment for right-of-use assets		**(64,303)**	–
Payment for rental deposits		**(6,300)**	–
Purchase of intangible assets		**(64,879)**	(886)
Receipt of investment income on structured deposits and term deposits		**45,772**	28,664
Receipt of asset related government grants		**35,442**	119,455
Net cash used in investing activities		**(2,531,270)**	(182,713)
Financing activities			
Interest paid		**(14,098)**	(6,691)
Capital contribution from non-controlling interests		**604,890**	–
Net proceeds from the A share listing		**–**	4,983,776
Repayment of borrowings		**(160,000)**	(20,000)
Repayment of lease liabilities		**(20,997)**	(20,013)
Payment of listing expenses		**–**	(13,554)
New bank loans raised		**1,150,127**	–
Net cash generated from financing activities		**1,559,922**	4,923,518
Net increase in cash and cash equivalents		**1,043,209**	4,271,416
Cash and cash equivalents at the beginning of the year		**4,446,029**	201,973
Effect of foreign exchange rate changes		**(33,782)**	(27,360)
Cash and cash equivalents at the end of the year	23	**5,455,456**	4,446,029

1. GENERAL INFORMATION

CanSino Biologics Inc. (the "**Company**") was incorporated in Tianjin of the People's Republic of China (the "**PRC**") on 13 January 2009 as a limited liability company by Xuefeng Yu, Tao Zhu, Dongxu Qiu, Xuan Liu and Helen Huihua Mao. The address of the Company's registered office is 401-420, 4th Floor, Biomedical Park, 185 South Avenue, TEDA West District, Tianjin, the PRC. Upon approval by the shareholders' general meeting held on 10 February 2017, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC and changed its registered name from "Tianjin CanSino Biotechnology Inc.(天津康希諾生物技術有限公司)" to "CanSino Biologics Inc. (康希諾生物股份公司)" on 13 February 2017. The Company and its subsidiaries (collectively referred to as the "**Group**"), are principally engaged in the research and development, manufacturing and commercialization of vaccine products for human use.

The Company's H shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 28 March 2019 (the "**HK Listing**"), and the Company's A shares were listed on the SSE STAR Market on 13 August 2020 (the "**A Share Listing**").

The consolidated financial statements are presented in Renminbi ("**RMB**") and rounded to nearest thousand yuan, unless otherwise stated.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

(i) Basis of preparation of consolidated financial statements

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). 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 that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(i) Basis of preparation of consolidated financial statements (Continued)

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

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

(ii) Amended standards adopted by the Group

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group has early applied the Amendments to HKFRS 16 COVID-19-Related Rent Concessions beyond 30 June 2021.

In addition, the Group applied the agenda decision of the IFRS Interpretation Committee (the "**Committee**") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

The application of the amendments to HKFRSs 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.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(iii) Amended standards not early adopted by the Group

The following new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

HKFRS 17	Insurance Contracts and the related Amendments[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]

1 Effective for annual periods beginning on or after 1 January 2022.

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

3 Effective for annual periods beginning on or after a date to be determined

2.2 Subsidiaries

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

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.

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.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

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.

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

2.3 Separate financial statements

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

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

2.4 Segment reporting

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

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("**the functional currency**"). The consolidated financial statements are presented in RMB, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Non-monetary items those are measured in terms of historical cost in a foreign currency are not translated.

Foreign exchange gains and losses are presented in the consolidated statement of profit or loss and other comprehensive income within finance income or finance costs.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Buildings, leasehold improvements and other equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised 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.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting year in which they are incurred.

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

Buildings	3-20 years
Leasehold improvements	Shorter of remaining lease term or estimated useful life
Equipment and instruments	5-10 years
Motor vehicles	4 years
Office equipment and furniture	3-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year.

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other gains (losses), net" in the consolidated statement of profit or loss and other comprehensive income.

2.7 Intangible assets

(a) Computer software

Acquired computer software are capitalised on the basis of the costs incurred to acquire and bring the specific software into usage. These costs are amortised using the straight-line method over their estimated useful lives of 2 to 10 years. Costs associated with maintaining computer software programs are recognised as expense as incurred. 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.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Intangible assets (Continued)

(b) Non-proprietary technologies

Non-proprietary technologies are initially recorded at cost and are amortised on a straight-line basis over their useful lives of 5 years. 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.

(c) Research and development

The Group incurs significant costs and efforts on research and development activities, which include expenditures on vaccine products. Research expenditures are charged to the profit or loss as an expense in the year the expenditure is incurred. Development costs are recognised as assets if they can be directly attributable to a newly developed vaccine product and all the following can be demonstrated:

(i) The technical feasibility to complete the development project so that it will be available for use or sale;

(ii) The intention to complete the development project to use or sell the vaccine product;

(iii) The ability to use or sell the vaccine product;

(iv) The manner in which the development project will generate probable future economic benefits for the Group;

(v) The availability of adequate technical, financial and other resources to complete the development project and use or sell the vaccine product; and

(vi) The expenditure attributable to the asset during its development can be reliably measured.

The Group recognise development costs as follows:

For class I biological products (biological products that have not been previously approved for sale in China or abroad), development stage begins after obtaining new drug application approval from drug regulatory organization. Development costs at this stage are recognised as assets when the above six criteria are met.

For non-class I biological products, development stage begins after Phase III clinical trials are conducted substantially. Development costs at Phase III are recognised as assets when the above six criteria are met.

Development expenditures not satisfying the above criteria are recognised in the profit or loss as incurred.

Capitalised development costs are amortised using the straight-line method over the life of the related vaccine product. Amortisation shall begin when the asset is available for use.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of non-financial assets

Intangible assets not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting year.

2.9 Financial assets and financial liabilities

(a) Initial recognition

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at fair value through other comprehensive income, which results in an accounting loss being recognised 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.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets and financial liabilities (Continued)

(b) Classification and subsequent measurement

Financial assets

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

(i) amortised cost;

(ii) fair value through other comprehensive income; or

(iii) fair value through profit or loss.

The classification requirements for debt and equity instruments are described below:

Debt instruments

Classification and subsequent measurement of debt instruments depend on the Group's business model for managing the asset and the cash flow characteristics of the asset.

A debt instrument shall be measured at amortised cost if all of the following conditions are met:

(i) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;

(ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and

(iii) they are not designated at financial assets at fair value through profit or loss.

The carrying amount of these assets is adjusted by any expected credit loss allowance. Interest income from these financial assets is measured using the effective interest rate method.

A debt instrument shall be measured at fair value through other comprehensive income if all of the following conditions are met:

(i) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;

(ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and

(iii) they are not designated at fair value through profit or loss.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets and financial liabilities (Continued)

(b) Classification and subsequent measurement (Continued)

Debt instruments (Continued)

When the financial asset measured at fair value through other comprehensive income is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is measured using the effective interest rate method and recognised in profit or loss.

A debt instrument shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.

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

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting year following the change.

The Group may also irrevocably designate financial assets at fair value through profit or loss if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases.

Equity instruments

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group’s management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income.

At initial recognition, the Group may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination.

When this election is used, fair value gains and losses are recognised in other comprehensive income and are not subsequently reclassified to profit or loss, including on disposal. Dividends from these investments are recognised in profit or loss. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Group’s right to receive payments is established.

Gains and losses on debt or equity investments at fair value through profit or loss are included in the profit or loss. The gains or losses recognised in profit or loss exclude any dividend or interest earned on the financial asset and is included in the “other income” line item.

Except for the financial assets measured at fair value through profit or loss as disclosed in Note 21, the financial assets of the Group are measured at amortised cost.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets and financial liabilities (Continued)

(b) Classification and subsequent measurement (Continued)

Financial liabilities and equity

Equity instruments

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

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

In both the current and prior year, financial liabilities are classified as subsequently measured at amortised cost using the effective interest method, except for obligations arising from put options over the equity interest of a subsidiary written to non-controlling shareholders by the Company.

The gross financial liability arising from the put options over the equity interest of a subsidiary written by the Company is recognised when contractual obligation to repurchase the equity interest in a subsidiary is established even if the obligation is conditional on the counterparty exercising a right to sell back the equity interest to the Group. The gross liability is initially recognised at present value of the redemption amount with the corresponding debit to "non-controlling interests". Prior to the exercise of the put options by non-controlling shareholders, the remeasurement of the estimated gross obligation under the put options to the non-controlling shareholders is recognised in the profit or loss.

(c) Derecognition

Derecognition of financial assets

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

(i) the rights to receive cash flows from the asset have expired; or

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets and financial liabilities (Continued)

(c) Derecognition (Continued)

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 recognised in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss. When the put options over the equity interest of a subsidiary written to non-controlling shareholders by the Company expire, the gross obligations from the put options written by the Company was derecognised and transferred into "non-controlling interests".

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

(d) Impairment

The Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortised cost. The Group recognises a loss allowance for such losses at each reporting date.

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

The Group always recognises lifetime ECL for trade receivables. 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 recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

The measurement of ECL reflects: An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; the time value of money; and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets and financial liabilities (Continued)

(d) Impairment (Continued)

(i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

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.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets and financial liabilities (Continued)

(d) Impairment (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 reorganisation.

(iv) Write-off policy

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets and financial liabilities (Continued)

(d) Impairment (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. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

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.

ECL for trade receivables and certain other receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments subject to ECL measurement by adjusting their carrying amount with the corresponding adjustment is recognised through a loss allowance account.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Inventories

Inventories including finished goods, goods shipped in transit, work in progress, raw materials outsourced for processing, raw materials and consumable materials purchased for production, research and development activities are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

2.11 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.12 Cash and cash equivalents

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

2.13 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting year. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

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

2.16 Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2.17 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Current and deferred income tax (Continued)

(b) Deferred income tax

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

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 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 results in net deductible temporary differences.

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

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

2.18 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as "payroll and welfare payable" in Note 30.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Employee benefits (Continued)

(b) Post-employment obligations

The Group incorporated in the PRC contributes based on certain percentage of the salaries of the employees to a defined contribution retirement benefit plan organised by relevant government authorities in the PRC on a monthly basis. The government authorities undertake to assume the retirement benefit obligations payable to all existing and further retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred. Assets of the plans are held and managed by government authorities and are separate from those of the Group.

(c) Termination benefits

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

2.19 Interest income

Interest income is presented as finance income where it is earned from term deposits and financial assets that are held for cash management purposes. Any other interest income is included in other income.

2.20 Share-based payments

Equity-settled share-based payments

Share-based compensation benefits are provided to employees via various share award schemes. Information relating to these schemes is set out in Note 25.

The fair value of equity-settled share-based payments granted to employees under Employee Share Plans is recognised as an employee benefit expense over the relevant service period, being the vesting period of the shares, and the credit is recognised in equity in the capital reserve. The fair value of the shares is measured at the grant date without taking into consideration all non-market vesting conditions. The number of shares expected to vest is estimated based on the non-market vesting conditions. The estimates are revised at the end of each reporting period and adjustments are recognised in profit or loss and the capital reserve. Where shares are forfeited due to a failure by the employee to satisfy the service conditions, any expenses previously recognised in relation to such shares are reversed in profit or loss. When shares granted are vested, the amount previously recognised in share-based payments reserve will be transferred to share premium.

2.21 Revenue recognition

Revenues are recognised when, or as, the control of the goods or services is transferred to the customer.

(a) Revenue from vaccine products and other goods are recognised when control of the goods are transferred, being when the goods are delivered to the customers, and the customers have accepted the goods in accordance with the sales contracts, or the Group has objective evidence that all criteria for acceptance have been satisfied.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Revenue recognition (Continued)

(b) Research and technology services

Control of the research and technology services is transferred over time if the Group's performance:

– provides all of the benefits received and consumed simultaneously by the customer;

– creates and enhances an asset that the customer controls as the Group performs; or

– does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time. The revenue from research and technology services of the Group is recognised at a point in time.

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.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be receive and the Group will comply with all attached conditions.

Where the grants relates to an expense item, it is recognised as income on a systematic basis over the period that the costs, which it is intended to compensate, are expensed. Where the grants relates to an asset, the fair value is credited to a deferred income account and is released to the consolidated statement of profit or loss and other comprehensive income over the expected useful life of the relevant asset on straight-line basis.

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

2.23 Leases

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.

Except for the short-term leases and leases of low-value assets, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

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 recognised as expense on a straight-line basis or another systematic basis over the lease term.

Contracts may contain both lease and non-lease components. The Group has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. 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.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Leases (Continued)

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group, where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received; and
- any initial direct costs.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Leases (Continued)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

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

Refundable rental deposits paid are accounted under HKFRS 9 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.

Except for COVID-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

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

When the modified contract contains one or more additional 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. The associated non-lease components are included in the respective lease components.

In relation to rent concessions that occurred as a direct consequence of the COVID-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and

- there is no substantive change to other terms and conditions of the lease.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Leases (Continued)

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and 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 recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations, that the directors of the Company have made in the process of applying the Group's accounting policies and that has the most significant effect on the amounts recognised in the consolidated financial statements.

Control over CanSino SPH

Note 39.1 describes that CanSino SPH Biologics Inc. (上海上藥康希諾生物製藥有限公司) ("**CanSino SPH**") is a subsidiary of the Group although the Group has only 49.8% ownership interest in CanSino SPH as of 31 December 2021.

The directors of the Company assessed whether the Group has control over CanSino SPH based on the Group's practical ability to direct the relevant activities of CanSino SPH unilaterally. In making the judgement, the directors of the Company considered the Group's voting power in CanSino SPH. As disclosed in Note 39.1, the Company entered into a concert party agreement with the investment fund, pursuant to which the investment fund delegated its voting power over CanSino SPH to the Company on matters related to directing the relevant activities of CanSino SPH, resulting the Company having over 50% voting power over CanSino SPH. After the assessment, the directors of the Company concluded that the Group has sufficiently dominant voting power to direct the relevant activities of CanSino SPH and therefore the Group has control over CanSino SPH.

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

Key source of estimation uncertainty

Deferred tax asset

As at 31 December 2021, deferred tax assets of RMB 4,573,000 (31 December 2020: nil) has been recognised in the consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of certain subsidiaries and certain other temporary differences of the Company due to the unpredictability of future profit streams as disclosed in Note 17. The realisability of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits and taxable temporary differences generated are less or more than expected, or changes in facts and circumstances which result in revision of future taxable profits and taxable temporary differences estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

Fair value measurement of unquoted equity instrument investment

As at 31 December 2021, the Group's unquoted equity instrument investment amounting to RMB 45,310,000 (31 December 2020: RMB 20,000,000) are measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. See Note 38.3 for further disclosures.

4. SEGMENT

The operating segments have been determined based on the reports reviewed by CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company.

The Group is principally engaged in the research and development, manufacture and commercialisation of vaccine products for human use. Management reviews the operating results of the business as a whole to make decisions about resources to be allocated. Therefore, the CODM of the Company regards that there is only one segment which is used to make strategic decisions.

The major operating entity of the Group is domiciled in the PRC. Information about the Group's revenue were primarily derived in the PRC based on the location of the operations. Details refer to Note 5.

As at 31 December 2021 and 2020, the Group's non-current assets were mainly located in the China Mainland and Hong Kong.

4. SEGMENT (CONTINUED)

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Customer A	**1,270,888**	–
Customer B	**1,084,141**	–
Customer C	**N/A***	18,544
	2,355,029	18,544

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

5. REVENUE

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Sales of vaccine products – at a point in time	**4,299,702**	18,544

Information about the geographical markets of the Group's revenue is presented based on the locations of the customers.

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Geographical markets		
The PRC	**1,242,580**	18,544
Overseas	**3,057,122**	–
	4,299,702	18,544

5. REVENUE (CONTINUED)

The Group recognised the following liabilities related to contracts with customers:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Contract liabilities – vaccine products	**192,797**	–
Contract liabilities – technical services	**420**	420
	193,217	420

The following is an analysis of the Group's revenue from continuing operations from its major products and services:

Revenue is recognised when control of the vaccine products has transferred, being when the goods have been shipped to the specific location and accepted by customers.

A contract liability is recognised for the Group's obligation to transfer goods to customers for which the Group has received considerations. Contract liabilities as of 31 December 2021 amounting to RMB 193,217,000 (31 December 2020: RMB 420,000 and 1 January 2020: nil) is recognised, mainly representing the unfulfilled sales of vaccine products.

All the contracts that are partially or fully unsatisfied are for periods of one year or less. As the Group applies the practical expedient in HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

6. OTHER INCOME

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Investment income on structured deposits products	**45,772**	32,035
Government grants (a)	**14,691**	76,952
Others	**304**	97
Net income from vaccine components	**–**	5,810
	60,767	114,894

Note:

(a) Government grants mainly represented subsidy income received from various government organisations to support the operation, research and development activities and construction of assets of the Group.

7. EXPENSE BY NATURE

	Year ended 31 December 2021 RMB'000	2020 RMB'000
Depreciation of property, plant and equipment	**75,899**	24,926
Depreciation of right-of-use assets	**19,519**	6,267
Amortization of intangible assets	**3,999**	624
	99,417	31,817
Capitalized in the ending balance of constructions in process	**(10,875)**	(76)
	88,542	31,741
Analyzed as:		
Charged in manufacturing costs	**48,143**	2,162
Charged in research and development expenses	**27,873**	23,951
Charged in administrative expenses	**12,526**	5,628
	88,542	31,741
Changes in inventories and other cost of sales	**1,087,324**	44,263
Clinical trial and testing fee	**585,907**	198,167
Employee benefit expenses (Note 8)	**541,288**	205,867
Utilities and office expenses	**98,281**	21,426
Consulting fee	**42,626**	13,762
Travelling and transportation expenses	**20,094**	7,315
Other transaction taxes	**10,489**	4,007
Auditors' remuneration		
– Audit services	**3,950**	3,889
– Other services	**1,428**	160
Short-term leases and variable rentals COVID-19 rental concessions(Note 15)	**2,383**	(1,421)
Write-down on inventories	**1,283**	391
Listing expenses	**–**	1,943
Others	**32,347**	10,607
	2,515,942	542,117

Note:

For the year ended 31 December 2021 and 2020, the Group applied the practical expedient to all qualifying COVID-19-related rent concessions, no such concessions has been recognised as a deduction in administrative expenses and R&D expenses for the year ended 31 December 2021 (2020: RMB 1,918,000).

8. EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Wages, salaries and bonuses	**420,266**	165,239
Social security costs and housing benefits	**66,840**	12,122
Share-based compensation expenses	**9,802**	17,511
Others	**44,380**	10,995
	541,288	205,867

The employees of the Group in the PRC are members of a state-managed pension scheme operated by the PRC Government. The Group is required to contribute a specified percentage of payroll costs as determined by local government authority to the pension obligations to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contribution under the scheme. The Group contributions to the retirement benefit scheme are expensed as incurred and not reduced by contributions forfeited by those employees who leave the plan prior to vesting fully in the contributions.

The total expense recognised in profit or loss of RMB 35,866,000 (2020: RMB 591,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2021, contributions of RMB 1,191,000 (2020: nil) due in respect of the year ended had not been paid over to the plans. The amounts were paid subsequent to the end of the reporting period.

(a) Employee benefit expenses by nature

Employee benefit expenses were charged in the following categories:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Manufacturing costs	**226,527**	30,716
Administrative expenses	**127,345**	41,902
Research and development expenses	**119,445**	120,911
Selling expenses	**67,971**	12,338
	541,288	205,867

8. EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(b) Five highest paid individuals

For the year ended 31 December 2021, the five individuals whose emoluments were the highest in the Group include 4 directors (2020: 3), whose emoluments are reflected in the analysis presented in Note 36. The emoluments paid or payable to the remaining individuals were as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Discretionary bonuses	**1,134**	6,958
Salaries	**1,507**	3,035
Share-based compensation expenses (Note 25)	**2,361**	4,047
Retirement benefit scheme contributions	**–**	1
Other	**5**	259
	5,007	14,300

The five highest paid individuals fell within the following bands:

	Year ended 31 December	
	2021	2020
Emolument bands		
HK$5,000,001 – HK$5,500,000	**2**	–
HK$5,500,001 – HK$6,000,000	**2**	–
HK$6,000,001 – HK$6,500,000	**1**	–
HK$7,500,001 – HK$8,000,000	**–**	4
HK$9,000,001 – HK$9,500,000	**–**	1
	5	5

During the year ended 31 December 2021, no emoluments have been paid to the five highest individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office (2020: nil).

9. OTHER GAINS (LOSSES) – NET

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Net fair value gains on financial liabilities at fair value through profit or loss (Note39.1)	**44,748**	–
Net fair value gains on financial assets at fair value through profit or loss	**26,345**	6,640
Gains from Gates foundation	**1,479**	1,354
Losses on disposal of property, plant and equipment	**(250)**	(136)
Others	**(5,237)**	(38)
	67,085	7,820

10. FINANCE INCOME – NET

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Finance income		
Interest income on deposits	**79,651**	31,721
Finance costs		
Interest expenses on bank borrowings	**(14,602)**	(6,521)
Interest expenses for lease liabilities	**(9,785)**	(363)
Less: borrowing costs capitalised in qualifying assets	**3,968**	6,884
	(20,419)	–
Bank charges	**(275)**	(140)
Foreign exchange losses	**(33,782)**	(27,360)
	(54,476)	(27,500)
Finance income – net	**25,175**	4,221

11. INCOME TAX EXPENSE

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Current income tax expense-PRC Enterprise Income Tax	**29,144**	–
Deferred income tax expense (Note 17)	**557**	–
	29,701	–

The tax on the Group's profit (loss) before tax differs from the theoretical amount that would arise using the statutory tax rate as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Profit (loss) before income tax	**1,936,787**	(396,638)
Tax expense calculated at statutory tax rate of 25%	**484,197**	(99,160)
Tax effect of expenses not deductible for taxation purposes	**3,390**	234
Tax effect of income not taxable for taxation purpose	**(16,761)**	–
Utilisation of tax losses and deductible temporary differences previously not recognised	**(283,810)**	(917)
Tax loss and temporary differences not recognised as deferred tax assets	**27,149**	96,332
Extra deduction of research and development expenses	**(164,677)**	(36,153)
Impact of applying preferential tax rate	**(19,787)**	39,664
Income tax expense	**29,701**	–

Under the Law of the PRC Enterprise Income Tax (the "**EIT Law**") and Implementation Regulations of the EIT Law, the tax rate of the Company and its PRC subsidiaries is 25% for both years.

On 24 November 2016, the "Certificate of New Hi-tech Enterprise" was granted to the Company and renewed on 28 November 2019 with a valid period of 3 years, and the Company becomes eligible for a corporate income tax rate of 15% for the year ended 31 December 2021 (2020: 15%).

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

12. EARNINGS (LOSS) PER SHARE

(a) Basic earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the profit (loss) attributable to owners of the Company by the weighted average number of ordinary shares outstanding.

	Year ended 31 December	
	2021	2020
Profit (loss) for the year attribute to owners of the Company (in RMB'000)	**1,914,390**	(396,638)
Weighted average number of ordinary shares in issue (in '000)	**247,450**	230,917
Basic earnings (loss) per share (in RMB)	**7.74**	(1.72)

(b) Diluted earnings (loss) per share

Diluted earnings per share for the year ended 31 December 2021 did not assume the issuance of restricted shares under 2021 Employee Share Plan as described in Note 25(a) since the performance conditions of 2021 Employee Share Plan has not been satisfied as at 31 December 2021.

There were no potential ordinary shares in issue for 2020.

13. DIVIDENDS

Subsequent to the end of the reporting period, the board of directors proposed that dividends of RMB 8 per 10 shares (tax inclusive) (2020: nil) will be distributed to all shareholders. The proposal is subject to the approval by the shareholders' general meeting. Details please refer to Note 40.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Equipment and instruments RMB'000	Motor vehicles RMB'000	Office Equipment and furniture RMB'000	Construction in progress RMB'000	Total RMB'000
As at 31 December 2019							
Cost	37,193	29,174	74,093	639	6,749	479,038	626,886
Accumulated depreciation	(2,381)	(14,368)	(31,166)	(394)	(3,073)	–	(51,382)
Net book value	34,812	14,806	42,927	245	3,676	479,038	575,504
Year ended 31 December 2020							
Opening net book value	34,812	14,806	42,927	245	3,676	479,038	575,504
Additions	–	386	37,320	215	3,269	281,743	322,933
Disposals	–	–	(130)	–	(6)	–	(136)
Transfer upon completion	–	–	727	–	–	(727)	–
Depreciation	(1,778)	(7,223)	(14,037)	(134)	(1,754)	–	(24,926)
Closing net book value	33,034	7,969	66,807	326	5,185	760,054	873,375
As at 31 December 2020							
Cost	37,193	29,560	110,008	854	9,870	760,054	947,539
Accumulated depreciation	(4,159)	(21,591)	(43,201)	(528)	(4,685)	–	(74,164)
Net book value	33,034	7,969	66,807	326	5,185	760,054	873,375
Year ended 31 December 2021							
Opening net book value	**33,034**	**7,969**	**66,807**	**326**	**5,185**	**760,054**	**873,375**
Additions	**46,994**	**–**	**100,499**	**2,653**	**23,087**	**1,003,270**	**1,176,503**
Disposals	**–**	**–**	**(229)**	**–**	**(21)**	**–**	**(250)**
Transfer upon completion	**621,657**	**26,045**	**276,656**	**260**	**17,908**	**(942,526)**	**–**
Transfers	**18,832**	**(18,832)**	**–**	**–**	**–**	**–**	**–**
Depreciation	**(20,744)**	**(15,182)**	**(35,043)**	**(313)**	**(4,617)**	**–**	**(75,899)**
Closing net book value	**699,773**	**–**	**408,690**	**2,926**	**41,542**	**820,798**	**1,973,729**
As at 31 December 2021							
Cost	**724,676**	**–**	**483,368**	**3,767**	**50,617**	**820,798**	**2,083,226**
Accumulated depreciation	**(24,903)**	**–**	**(74,678)**	**(841)**	**(9,075)**	**–**	**(109,497)**
Net book value	**699,773**	**–**	**408,690**	**2,926**	**41,542**	**820,798**	**1,973,729**

During the year ended 31 December 2021, the Group has capitalised borrowing costs amounting to RMB 3,968,000 on qualifying assets (2020: RMB 6,884,000) (Note 10). Borrowing costs were capitalised at the weighted average of its borrowings rate of 4.166% during the year (2020: 4.635%).

Certain property, plant and equipment of the Group have been pledged as collateral under the Group's borrowing arrangements. The carrying amount of property, plant and equipment pledged as collateral were RMB 340,922,000 as at 31 December 2021 (31 December 2020: RMB 275,532,000).

The Group has obtained the property ownership certificate for all properties except for certain properties with carrying amount of RMB 65,826,000 (2020: nil) in which the Group is in the process of obtaining.

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation were charged in the following categories:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Manufacturing costs	**45,532**	2,162
Research and development expenses	**22,263**	19,246
Administrative expenses	**7,329**	3,518
Construction in progress	**775**	–
Total	**75,899**	24,926

15. RIGHT-OF-USE ASSETS

	Land use rights RMB'000	Office rental RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Total RMB'000
As at 31 December 2019					
Cost	20,508	17,918	1,283	503	40,212
Accumulated depreciation	(1,982)	(5,154)	(279)	(81)	(7,496)
Net book value	18,526	12,764	1,004	422	32,716
Year ended 31 December 2020					
Opening net book value	18,526	12,764	1,004	422	32,716
Addition	17,518	–	–	31	17,549
Depreciation	(585)	(5,153)	(412)	(117)	(6,267)
Closing net book value	35,459	7,611	592	336	43,998
As at 31 December 2020					
Cost	38,026	17,918	1,283	534	57,761
Accumulated depreciation	(2,567)	(10,307)	(691)	(198)	(13,763)
Net book value	35,459	7,611	592	336	43,998
Year ended 31 December 2021					
Opening net book value	**35,459**	**7,611**	**592**	**336**	**43,998**
Addition	**64,303**	**260,371**	**787**	**32**	**325,493**
Disposal	**–**	**(6,881)**	**–**	**–**	**(6,881)**
Depreciation	**(1,247)**	**(17,671)**	**(480)**	**(121)**	**(19,519)**
Closing net book value	**98,515**	**243,430**	**899**	**247**	**343,091**
As at 31 December 2021					
Cost	**102,329**	**255,348**	**1,387**	**566**	**359,630**
Accumulated depreciation	**(3,814)**	**(11,918)**	**(488)**	**(319)**	**(16,539)**
Net book value	**98,515**	**243,430**	**899**	**247**	**343,091**

15. RIGHT-OF-USE ASSETS (CONTINUED)

Depreciation were charged in the following categories:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Construction in progress	**10,100**	76
Research and development expenses	**4,981**	4,330
Administrative expenses	**4,348**	1,861
Manufacturing costs	**90**	–
Total	**19,519**	6,267

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Additions to right-of-use assets	**325,493**	17,549
Expense relating to short-term leases	**6,039**	495
Including: Employee benefit	**3,656**	495
Other short-term leases	**2,383**	–
Total cash outflow for leases (note)	**91,339**	3,078

Note: Amount includes payments of principal and interest portion of lease liabilities, short-term leases and payments of lease payments on or before lease commencement date (including leasehold land). These amounts could be presented in operating, investing or financing cash flows.

For both years, the Group leases various offices, office equipment and motor vehicles for its operations. Lease contracts are entered into for fixed term of 24 months to 239 months (2020: 36 months to 60 months), but may have extension and termination options as described below. Lease terms are negotiated on an individual basis and contain different terms and conditions. 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

Certain of the Group's land use rights have been pledged as collateral under the Group's borrowing arrangements. The carrying amount of land use rights pledged as collateral were RMB 10,123,000 as at 31 December 2021 (31 December 2020: RMB 10,396,000).

In addition, lease liabilities of RMB 254,027,000 are recognised with related right-of-use assets of RMB 244,576,000 as at 31 December 2021 (2020: lease liabilities of RMB 12,378,000 and related right-of-use assets of RMB 8,539,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Except for land use rights, leased assets may not be used as security for borrowing purposes.

Leases committed

As at 31 December 2021 and 2020, the Group had no new leases contracts signed that had not yet commenced.

Rent concessions

During the year ended 31 December 2021, lessors did not provided rent concessions to the Group (2020: lessor provided RMB 1,918,000 rent concessions).

16. INTANGIBLE ASSETS

	Capitalised product development costs RMB'000	Computer software RMB'000	Non-proprietary technologies RMB'000	Total RMB'000
As at 31 December 2019				
Cost	37,409	618	7,946	45,973
Accumulated amortisation	–	(236)	(7,048)	(7,284)
Net book value	37,409	382	898	38,689
Year ended 31 December 2020				
Opening net book value	37,409	382	898	38,689
Additions	106	780	–	886
Changes	(2,113)	–	–	(2,113)
Amortisation	–	(375)	(249)	(624)
Closing net book value	35,402	787	649	36,838
As at 31 December 2020				
Cost	35,402	1,398	7,946	44,746
Accumulated amortisation	–	(611)	(7,297)	(7,908)
Net book value	35,402	787	649	36,838
Year ended 31 December 2021				
Opening net book value	**35,402**	**787**	**649**	**36,838**
Additions	**26,192**	**17,975**	**22,784**	**66,951**
Transfer	**(35,404)**	**–**	**35,404**	**–**
Amortisation	**–**	**(1,211)**	**(2,788)**	**(3,999)**
Closing net book value	**26,190**	**17,551**	**56,049**	**99,790**
As at 31 December 2021				
Cost	**26,190**	**19,373**	**66,134**	**111,697**
Accumulated amortisation	**–**	**(1,822)**	**(10,085)**	**(11,907)**
Net book value	**26,190**	**17,551**	**56,049**	**99,790**

In November 2021, a subsidiary of the Group entered into a licensing agreement with an independent third party to license in a technology which is used in an existing research and development project of the Group. Under the terms of the agreement, the total upfront fee was cash consideration of USD3,250,000 (equivalent to RMB 22,784,000). The Group also agreed to pay the counterparty future clinical development milestone payments, commercialization milestone payments, as well as tiered royalties on sales of the product under the corresponding research and development project using the in-license technology.

Amortisation were charged in the following categories:

	Year ended 31 December 2021 RMB'000	2020 RMB'000
Manufacturing costs	**2,521**	–
Administrative expenses	**849**	249
Research and development expenses	**629**	375
Total	**3,999**	624

17. DEFERRED TAX ASSETS AND LIABILITIES

The analysis of deferred income tax assets and liabilities in the consolidated statement of financial position are as follows:

	As at 31 December 2021 RMB'000	2020 RMB'000
Deferred income tax assets: – To be recovered within 12 months	**4,573**	996
Deferred income tax liabilities: – To be settled within 12 months	**(5,130)**	(996)
Deferred income tax assets/(liabilities) – net	**(557)**	–

The movement in deferred income tax assets and liabilities is as follows:

Deferred tax assets	Deferred income RMB'000	Inventory provisions RMB'000	ECL provision RMB'000	Amortization of intangible assets difference RMB'000	Tax losses RMB'000	Total RMB'000
Balance at 1 January 2021	**–**	**–**	**–**	**–**	**996**	**996**
Credited (charged) to profit or loss	**3,822**	**236**	**274**	**161**	**(916)**	**3,577**
Balance at 31 December 2021	**3,822**	**236**	**274**	**161**	**80**	**4,573**
Balance at 1 January 2020	–	–	–	–	79	79
Credited to profit or loss	–	–	–	–	917	917
Balance at 31 December 2020	–	–	–	–	996	996

Deferred tax liabilities	Right-of-use assets/Lease liabilities RMB'000	Fair value adjustment of derivative instruments RMB'000	Fair value adjustment of financial assets at fair value through profit or loss RMB'000	Fair value adjustment of equity investment RMB'000	Total RMB'000
Balance at 1 January 2021	**–**	**–**	**(996)**	**–**	**(996)**
Charged to profit or loss	**(168)**	**(38)**	**(131)**	**(3,797)**	**(4,134)**
Balance at 31 December 2021	**(168)**	**(38)**	**(1,127)**	**(3,797)**	**(5,130)**
Balance at 1 January 2020	–	–	(79)	–	(79)
Charged to profit or loss	–	–	(917)	–	(917)
Balance at 31 December 2020	–	–	(996)	–	(996)

17. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

(a) Deferred tax assets not recognised

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Deductible temporary differences	**186,452**	67,101
Deductible losses	**74,864**	1,227,151
Total	**261,316**	1,294,252

As at 31 December 2021, the Group has carry forward unused tax losses of RMB 75,182,000 (31 December 2020: RMB 1,227,151,000) available for offset against future profits. RMB 80,000 deferred tax asset in respect of deductible losses of RMB 318,000 has been recognized. No deferred tax asset has been recognised in respect of tax losses of RMB 74,864,000 of certain subsidiaries of the Group (31 December 2020: RMB 1,227,151,000 of the Group) due to the unpredictability of future profit streams. The majority of the unrecognised tax losses will expire in 2026.

As at 31 December 2021, the Group has deductible temporary differences of RMB 216,410,000 (31 December 2020: RMB 67,101,000). RMB 4,493,000 deferred tax asset in respect of deductible temporary differences of RMB 29,958,000 has been recognized. No deferred tax asset has been recognised in respect of deductible temporary differences of RMB 186,452,000, as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised (31 December 2020: nil).

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
2023	**–**	6,925
2024	**–**	17,292
2025	**3**	33,743
2026	**74,861**	55,729
2027	**–**	71,854
2028	**–**	191,595
2029	**–**	228,757
2030	**–**	621,256
	74,864	1,227,151

18. INVENTORIES

	As at 31 December 2021 RMB'000	2020 RMB'000
Raw materials	**264,109**	35,863
Consumable materials	**331,046**	33,976
Work in progress	**63,144**	33,810
Raw materials outsourced for processing	**86,376**	67,310
Finished goods	**120,024**	–
Goods shipped in transit	**12,495**	–
	877,194	170,959
Less: impairment	**(1,573)**	(447)
	875,621	170,512

19. TRADE RECEIVABLES

	As at 31 December 2021 RMB'000	2020 RMB'000
Trade receivables from contracts with customers	**159,750**	21,639
Less: expected credit losses	**(1,824)**	–
	157,926	21,639

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

The normal credit terms range from 30 to 180 days upon issuance of billings.

As at 1 January 2020, there is no outstanding balance for trade receivables.

(a) Trade receivables by overdue analysis

The Group applies the HKFRS 9 simplified approach to measure the expected credit losses which uses a lifetime expected loss allowance for all trade receivables. As at 31 December 2021 and 2020, all the outstanding balances of trade receivables were either unbilled or within credit period. As a result, the expected credit losses of trade receivables were insignificant.

19. TRADE RECEIVABLES (CONTINUED)

(b) Trade receivables by ageing analysis

As at 31 December 2021 and 2020, the ageing analysis of trade receivables presented based on the revenue recognition date of the Group is as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Within 180 days	**123,274**	21,639
Over 180 days	**36,476**	–
Less: Expected credit losses	**(1,824)**	–
	157,926	21,639

20. OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Prepayments to suppliers of raw materials and services	**378,551**	114,067
Prepayments to suppliers of intangible assets and property, plant and equipment	**119,064**	35,262
Value added tax recoverable	**75,688**	72,427
Others	**22,511**	845
	595,814	222,601
Less: non-current portion (a)	**(122,423)**	(107,778)
Current portion	**473,391**	114,823

Note:

(a) The non-current portion of other receivables and prepayments mainly includes prepayments to suppliers of intangible assets and property, plant and equipment and rental deposits (31 December 2020: mainly includes value added tax recoverable that did not expect to be utilised in the coming 12 months and prepayments to suppliers of intangible assets and property, plant and equipment).

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Structured deposits	**1,821,789**	646,640
Equity investment (a)	**45,310**	20,000
Wealth management products	**40,631**	–
Derivative financial assets (b)	**255**	–
	1,907,985	666,640
Less: non-current portion (a)	**(45,310)**	–
Current portion	**1,862,675**	666,640

Notes:

(a) On 5 August 2020, the proposal for purchase of 1.43% equity interest in Thousand Oaks Biopharmaceuticals Co., Ltd. was approved by the board of directors, relevant industrial and commercial change registration was completed on 30 September 2020. With no control, joint control or significant influence by the Group, the equity investment is recognised as financial assets at fair value through profit or loss. As the Group expects to hold the equity investment for a period more than one year, the investment is classified as non-current assets as at 31 December 2021.

(b) In 2021, the Group entered into several foreign exchange forward contracts to buy RMB and sale USD upon maturities. As at 31 December 2021, the nominal amount of outstanding contracts amounted to USD50,000,000 (equivalent of RMB 320,254,000) and forward rates ranged from 6.3993 to 6.4145 with terms of three months or less.

22. TERM DEPOSITS WITH INITIAL TERM OF OVER THREE MONTHS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Term deposits (a)		
– RMB deposits (b)	250,000	250,000
– HKD deposits	188,048	–
	438,048	250,000
Accrued interest	25,310	15,441
	463,358	265,441

Notes:

(a) Term deposits held by the Group as at 31 December 2021 bear interests at ranged from 0.30% to 3.85% per annum with a duration of 3 to 36 months (31 December 2020: Term deposits held by the Group bear interests at 3.85% per annum, with a duration of 3 to 36 months).

(b) The term deposit of RMB 250,000,000 with initial term of three years will mature in May 2022, and is classified as current-asset as of 31 December 2021.

23. CASH AND CASH EQUIVALENTS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Cash on hand	4	2
Cash at banks (a)		
– RMB deposits	2,544,471	4,019,337
– USD deposits	2,691,403	8,776
– HKD deposits	219,528	417,914
– CAD deposits	50	–
	5,455,456	4,446,029
Accrued interest	1,417	1,000
	5,456,873	4,447,029

Note:

(a) Cash at banks earns interest at floating rates based on daily bank deposit rates. The Group's balances of cash at banks which are mainly denominated in RMB are deposited with banks in the PRC. The conversion of these RMB-denominated balances into foreign currencies and the remittance of funds out of the PRC are subject to the rules and regulations of foreign exchange control promulgated by the Government of the PRC.

24. SHARE CAPITAL AND SHARE PREMIUM

Authorised and issued

	Numbers of shares	Nominal value of shares RMB'000
As at 1 January 2020	222,649,899	222,650
Issuance of shares upon A share offering (a)	24,800,000	24,800
As at 31 December 2020, 1 January 2021 and 31 December 2021	247,449,899	247,450

	Numbers of ordinary shares	Share capital RMB'000	Share premium RMB'000	Total RMB'000
As at 1 January 2020	222,649,899	222,650	1,570,283	1,792,933
Issuance of shares upon A share offering (a)	24,800,000	24,800	4,954,665	4,979,465
As at 31 December 2020, 1 January 2021	247,449,899	247,450	6,524,948	6,772,398
Transfer upon vesting of share-based payments	–	–	13,008	13,008
As at 31 December 2021	247,449,899	247,450	6,537,956	6,785,406

Note:

(a) On 6 August 2020, the Company issued 24,800,000 ordinary shares with par value of RMB 1.00 each at a price of RMB 209.71 per share, raising approximately RMB 5,200,808,000 with net proceeds RMB 4,979,465,000, after deducting related issuance expenses (excluding VAT). On 13 August 2020, the Company was listed on the SSE STAR Market. Upon the completion of the A share offering, 73,254,799 shares held by domestic investors and 16,724,200 shares held by unlisted overseas investors before the A share offering were converted into A shares.

Accordingly, 24,800,000 ordinary shares with par value of RMB 1.00 each are issued and RMB 24,800,000 are credited to share capital, and remaining amounts, after netting of listing expenses, are credited to share premium.

25. CAPITAL RESERVES

	Other reserves RMB'000	Share-based compensation reserves RMB'000 (Note)	Total RMB'000
Balance at 1 January 2020	17,912	27,725	45,637
– Share-based payments	–	17,511	17,511
Balance at 31 December 2020	17,912	45,236	63,148
Balance at 1 January 2021	17,912	45,236	63,148
– Share-based payments	–	9,802	9,802
– Transfer upon vesting of share-based payments	–	(13,008)	(13,008)
Balance at 31 December 2021	**17,912**	**42,030**	**59,942**

Note:

Share-based payment

(a) Share award schemes

2018 Employee Share Plan

Tianjin Qianrui Enterprise Management Partnership (Limited Partnership) (天津千睿企業管理合夥企業(有限合夥)) ("**Tianjin Qianrui**") and Tianjin Qianzhi Enterprise Management Partnership (Limited Partnership) (天津千智企業管理合夥企業(有限合夥)) ("**Tianjin Qianzhi**") were incorporated in Tianjin of the PRC under the Law of the People's Republic of China on Partnerships on 28 May 2018 as vehicles to hold the ordinary shares for the Company's employees under the equity-settled share-based compensation plan of 2018 (the "**2018 Employee Share Plan**").

On 28 May 2018, the Company issued 3,299,475 and 1,207,150 shares of RMB 1.00 each to Tianjin Qianrui and Tianjin Qianzhi, respectively, at a price of RMB 3.88 per share under the 2018 Employee Share Plan. Under the plan, 42 eligible employees were granted 3,299,475 shares issued to Tianjin Qianrui, of which 52,590 shares were granted to Tao Zhu ("**GP**") and could be vested immediately and the rest 3,246,885 shares were granted to the other 41 eligible employees and could be vested when such eligible employees complete a five-year service period. 3 eligible employees were granted 1,207,150 shares issued to Tianjin Qianzhi, of which 19 shares were granted to GP and could be vested immediately and the remaining 1,207,131 shares were granted to the rest 2 employees. 60% of these 1,207,131 shares could be vested when such eligible employees complete a three-year service period, and the remaining 40% could be vested when such eligible employees complete a five-year service period. Approximately RMB 17,486,000 were paid by those employees to Tianjin Qianrui and Tianjin Qianzhi in total on the grant date. If an eligible employee ceases the employment by the Company within this period, the awarded shares will be forfeited.

Forfeited shares are purchased back by the GP, or a person designated by GP, at the price that the employees initially purchased, and if applicable, plus 7% per annum interest.

One eligible employee left the Company in July 2021, 402,377 shares awarded to this employee were forfeited.

25. CAPITAL RESERVES (CONTINUED)

(a) Share award schemes (Continued)

2018 Employee Share Plan (Continued)

In 2021, 724,279 shares of the granted shares were vested as the eligible employees had completed their three-year service period, and the accumulated share-based compensation reserves recognized of RMB 13,008,000 was transferred to share premium.

Set out below are details of the movements of the outstanding unvested units granted under 2018 Employee Share Plan throughout the reporting period:

Outstanding at 1 January 2021	Granted during the year	Vested during the year	Forfeited during the year	Outstanding at 31 December 2021
4,392,016	–	(724,279)	(402,377)	3,265,360

Outstanding at 1 January 2020	Granted during the year	Vested during the year	Forfeited during the year	Outstanding at 31 December 2020
4,392,016	–	–	–	4,392,016

The Group has applied discounted cash flow method to determine the fair value of the underlying shares of RMB 21.84 per share under the 2018 Employee Share Plan on the respective grant dates. Best estimates of key assumptions, such as discount rate and projections of future performance, are required to be determined by management. Key assumptions used in determining the fair value of shares under the 2018 Employee Share Plan are as follows:

	2018 Employee Share Plan
Key assumptions	
Discount rate	17.00%
Risk-free interest rate	2.84%
Liquidity discount	10.00%

25. CAPITAL RESERVES (CONTINUED)

(a) Share award schemes (Continued)

2021 Employee Share Plan

On 10 September 2021, the Group launched the new incentive scheme to grant the restricted A shares of the Company ("**Restricted Shares**") to the eligible participants (the "**2021 Employee Share Plan**") and granted an aggregate of 875,330 restricted shares under the incentive scheme to 388 participants and 49,660 restricted shares under the reserve plan to 7 participants at the grant price of RMB 209.71 per share on the grant date. The Restricted Shares granted will be attributed in tranches. The attribution period and arrangement for the Restricted Shares are shown in the table below:

Attribution arrangement	Attribution period	Attribution percentage
First attribution tranche	From the first trading day after the expiry of 12 months following the grant date of the Restricted Shares under the first grant to the last trading day within the 24 months following the grant date of the Restricted Shares	50%
Second attribution tranche	From the first trading day after the expiry of 24 months following the grant date of the Restricted Shares under the first grant to the last trading day within the 36 months following the grant date of the Restricted Shares	50%

25. CAPITAL RESERVES (CONTINUED)

(a) Share award schemes (Continued)

2021 Employee Share Plan (Continued)

The participants of 2021 Employee Share Plan are subject to service conditions, company performance conditions and individual performance conditions. Details of these conditions are set out in the circular of the Company dated 21 August 2021. Further, the participants and those who obtain the shares through transfer, if any, cannot transfer the Restricted Shares within six months from the attribution dates from each tranche.

Up to 31 December 2021, 10 eligible participants quit and 16,890 Restricted Shares were forfeited. Because the Company has not met the company performance condition for the first tranche, 50% of the Restricted Shares in first attribution tranche forfeited. The vesting conditions of second tranche were related to the first tranche, there is possibility of not meeting the conditions. Therefore the Company did not recognized any expenses in respect of 2021 Employee Share Plan during the year ended 31 December 2021.

Set out below are details of the movements of the outstanding Restricted Shares granted under 2021 Employee Share Plan throughout the reporting period:

	Outstanding at 1 January 2021	Granted during the year	Vested during the year	Forfeited during the year	Outstanding at 31 December 2021
	–	924,990	–	(470,940)	454,050
Exercisable at the end of the year					–
Weighted average exercise price					RMB 209.71

The Group has applied Black-Scholes-Merton option pricing model to determine the fair value of the Restricted Shares of first attribution tranche and second attribution tranche under 2021 Employee Share Plan as RMB 132.77 per share and RMB 143.59 per share, respectively. Key assumptions used in determining the fair value of Restricted Shares under the 2021 Employee Share Plans used by the management are as follows:

	2021 Employee Share Plan	
Key assumptions	**First attribution tranche**	**Second attribution tranche**
Underlying share price (RMB per share)	**336.15**	**336.15**
Attribution periods (Month)	**12**	**24**
Expected volatility	**34.46%**	**33.46%**
Risk-free interest rate	**1.50%**	**2.10%**
Dividend ratio	**–**	**–**
Liquidity discount	**9.3%**	**9.3%**

25. CAPITAL RESERVES (CONTINUED)

(b) Expenses arising from share-based payment transactions

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Share award schemes issued under the Employee Share Plans	**9,802**	17,511

As at 31 December 2021, the accumulated expenses arising from share-based payment transactions amounted to RMB 55,038,000 are recognised in the capital reserve (2020: RMB 45,236,000).

26. BORROWINGS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Borrowings from banks-unsecured	**1,030,127**	–
Borrowings from banks-secured	**90,000**	130,000
Accrued interest	**664**	159
	1,120,791	130,159
Less: current portion	**(1,080,791)**	(40,159)
Non-current portion	**40,000**	90,000

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Maturity of borrowings		
Less than 1 year	**1,080,791**	40,159
Between 1 and 2 years	**40,000**	90,000
	1,120,791	130,159

As of 31 December 2021 and 2020, long term bank borrowings were denominated in RMB, bearing interest at rates equivalent to 105%-120% of rates announced by the People's Bank of China, and were secured against certain of the Group's property, plant and equipment (Note 14) and right-of-use assets (Note 15). On 30 June 2020, the interest rate was revised to the over Five-Year Loan Prime Rate published by the National Interbank Funding Center authorized by the People's Bank of China one day before the contract signing date minus 65 base points.

As of 31 December 2021, short term bank borrowings were denominated in RMB, the interest rate was benchmarked to the One-Year Loan Prime Rate published by the National Interbank Funding Center authorized by the People's Bank of China one day before the contract signing date minus 200 base points.

In November 2021, CanSino SPH, a subsidiary of the Group, entered into a loan contract with a bank with the principal amount of RMB 480,000,000 and the duration of 60 months from the date of the first withdrawal. The purpose of the loan was for the renovation of the vaccine production plants and the repayment of the shareholders' loan. The bearing interest was benchmarked to the One-Year Loan Prime Rate published by the National Interbank Funding Center authorized by the People's Bank of China one day before the actual withdrawal date minus 15 base points. The interest is paid quarterly, and the principal is paid in accordance with the contract terms by batches starting from 2023. As of December 31, 2021, CanSino SPH has withdrawn RMB 40,000,000.

27. LEASE LIABILITIES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Lease liabilities payable		
Within 1 year	**31,178**	8,588
Between 1 and 2 years	**24,603**	3,660
Between 2 and 5 years	**57,203**	130
Over 5 years	**141,043**	–
	254,027	12,378
Less: Amount due for settlement within 1 year shown as current liabilities	**(31,178)**	(8,588)
Amount due for settlement after 1 year shown as non-current liabilities	**222,849**	3,790

The weighted average incremental borrowing rates applied to lease liabilities range from 5.115% to 5.212% (31 December 2020: from 5.212% to 5.226%).

28. DEFERRED INCOME

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Government grants		
– Asset-related grants (a)	**200,199**	171,429
– Reimbursement for future expenses (b)	**1,281**	1,053
Gates foundation	**–**	1,479
	201,480	173,961
Less: current portion	**(13,525)**	(3,385)
Non-current portion	**187,955**	170,576

(a) 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 and land use rights.

(b) Government grants as reimbursement for future expenses are subsidies received for compensating the Group's future research and development activities with regards to certain projects.

The amount of government grants that credited to other income is disclosed in Note 6.

29. TRADE PAYABLES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Procurement amounts due to vendors	**842,567**	60,573

Payment terms with suppliers are mainly with average credit term of 90 days (2020: 90 days) from the time when the goods and services are received from the suppliers. The ageing analysis of trade payables presented based on the date of receipt of goods or services is as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Within 1 year	**842,495**	60,420
Between 1 year and 2 years	**69**	10
Between 2 years and 3 years	**3**	31
More than 3 years	**–**	112
	842,567	60,573

The carrying amounts of trade payables are denominated in RMB, and approximate their fair values due to short term maturities.

30. OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Other payables to suppliers of property, plant and equipment	**305,865**	135,722
Payroll and welfare payable	**222,720**	71,862
Clinical trial and testing fee	**102,692**	78,677
Other service fees	**15,550**	289
Operation and maintenance fees	**6,233**	917
Accrued taxes other than enterprise income tax	**5,391**	1,159
Consulting fees	**4,277**	1,731
Deposits from suppliers	**686**	35
Others	**21,106**	9,336
	684,520	299,728

31. CASH GENERATED FROM (USED IN) OPERATION

	Year ended 31 December 2021 RMB'000	2020 RMB'000
Profit (loss) for the year	**1,907,086**	(407,046)
Adjustments for:		
– Depreciation	**84,543**	31,193
– Amortisation	**3,999**	624
– Impairment loss on inventories	**1,283**	391
– Impairment loss recognised on trade and other receivables, net of reversal	**1,824**	–
– Investment income on structured deposits products	**(45,772)**	(32,035)
– Losses on disposal of property, plant and equipment	**250**	136
– Net fair value gains on financial assets at fair value through profit or loss	**(71,093)**	(6,640)
– Gains from asset related government grants	**(6,672)**	(854)
– Finance income-net	**(24,924)**	(4,361)
– Share-based compensation expenses	**9,802**	17,511
– Deferred tax expenses	**557**	–
– Others	**–**	2,113
Changes in working capital		
– Inventories	**(706,392)**	(144,157)
– Other receivables and prepayments	**(281,298)**	(107,759)
– Trade receivables	**(138,111)**	–
– Accrued interest	**(526)**	–
– Trade payables	**781,994**	54,402
– Contract liabilities	**192,797**	(158)
– Other payables and accruals	**237,095**	101,335
– Deferred income	**(1,251)**	(4,436)
Cash generated from (used in) operations	**1,945,191**	(499,741)

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings RMB'000	Lease liabilities RMB'000	Interest payable RMB'000	Total debts RMB'000
At 1 January 2021	**130,000**	**12,104**	**433**	**142,537**
Cash flows	**990,127**	**(20,997)**	**(14,098)**	**955,032**
Non-cash movements	**–**	**252,860**	**24,389**	**277,249**
At 31 December 2021	**1,120,127**	**243,967**	**10,724**	**1,374,818**
At 1 January 2020	150,000	16,454	345	166,799
Cash flows	(20,000)	(2,494)	(6,691)	(29,185)
Non-cash movements	–	(1,856)	6,779	4,923
At 31 December 2020	130,000	12,104	433	142,537

33. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	**1,383,282**	873,375
Right-of-use assets	**128,622**	43,998
Intangible assets	**61,861**	36,838
Other receivables and prepayments	**19,456**	107,778
Term deposits with initial term of over three months	**–**	265,441
Interests in subsidiaries	**1,100,214**	100
Financial assets at fair value through profit or loss	**45,310**	–
Total non-current assets	**2,738,745**	1,327,530
Current assets		
Inventories	**701,467**	170,512
Trade receivables	**157,926**	21,639
Other receivables and prepayments	**302,245**	114,823
Financial assets at fair value through profit or loss	**1,787,533**	666,640
Term deposits with initial term of over three months	**463,358**	–
Cash and cash equivalents	**4,680,063**	4,446,933
Total current assets	**8,092,592**	5,420,547
Total assets	**10,831,337**	6,748,077
EQUITY		
Equity attributable to owners of the Company		
Share capital and share premium	**6,785,406**	6,772,398
Capital reserves	**59,942**	63,148
Statutory reserves	**118,389**	–
Accumulated profits (losses)	**1,065,498**	(764,688)
Total equity	**8,029,235**	6,070,858
LIABILITIES		
Non-current liabilities		
Deferred tax liabilities	**557**	–
Borrowings	**–**	90,000
Lease liabilities	**24,487**	3,790
Deferred income	**164,675**	170,576
Total non-current liabilities	**189,719**	264,366
Current liabilities		
Trade payables	**669,133**	60,573
Income tax payables	**29,124**	–
Contract liabilities	**293,217**	420
Other payables and accruals	**521,801**	299,728
Borrowings	**1,080,791**	40,159
Lease liabilities	**4,792**	8,588
Deferred income	**13,525**	3,385
Total current liabilities	**2,612,383**	412,853
Total liabilities	**2,802,102**	677,219
Total equity and liabilities	**10,831,337**	6,748,077

33. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

(a) Statement of changes in equity of the Company

	Share capital RMB'000	Share premium RMB'000	Capital reserves RMB'000	Statutory reserves RMB'000	Accumulated profits (losses) RMB'000	Total RMB'000
Balance at 1 January 2021	**247,450**	**6,524,948**	**63,148**	**–**	**(764,688)**	**6,070,858**
Total comprehensive income						
– Profit for the year	**–**	**–**	**–**	**–**	**1,948,575**	**1,948,575**
Recognition of equity-settled share-based payments	**–**	**–**	**9,802**	**–**	**–**	**9,802**
Transfer upon vesting of share-based payment (Note 25)	**–**	**13,008**	**(13,008)**	**–**	**–**	**–**
Transferred to statutory reserves	**–**	**–**	**–**	**118,389**	**(118,389)**	**–**
Balance at 31 December 2021	**247,450**	**6,537,956**	**59,942**	**118,389**	**1,065,498**	**8,029,235**
Balance at 1 January 2020	222,650	1,570,283	45,637	–	(368,054)	1,470,516
Total comprehensive expense						
– Loss for the year	–	–	–	–	(396,634)	(396,634)
Recognition of equity-settled share-based payments	–	–	17,511	–	–	17,511
Issue of shares	24,800	4,954,665	–	–	–	4,979,465
Balance at 31 December 2020	247,450	6,524,948	63,148	–	(764,688)	6,070,858

34. COMMITMENTS

(a) Capital commitments

The following is the details of capital expenditure contracted for but not provided in the consolidated financial statements.

	As at 31 December 2021 RMB'000	2020 RMB'000
Contracted but not provided for		
– Property, plant and equipment	**311,666**	180,527

35. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family member of the Group are also considered as related parties.

(a) The following companies are related parties of the Group during the year ended 31 December 2021:

Names of the related parties	Nature of relationship
上海三維生物技術有限公司 Shanghai Sunway Biotech Co., Ltd.* ("**Sunway Biotech**")	Non-controlling shareholder of CanSino SPH
上海醫藥集團股份有限公司 Shanghai Pharmaceuticals Holding Co., Ltd.*	The controlling shareholder Sunway Biotech
上海上藥信誼藥廠有限公司 Shanghai Pharma Sine Pharmaceutical Factory Co., Ltd.*	Note
上海上藥第一生化藥業有限公司 SPH NO.1 Biochemical & Pharmaceutical Co., Ltd.*	Note
上海上藥新亞藥業有限公司 Shanghai SPH New Asia Pharmaceuticals Co., Ltd.*	Note
正大青春寶藥業有限公司 Chiatai Qingchunbao Pharmaceutical Co., Ltd.*	Note
常州製藥廠有限公司 Changzhou Pharmaceutical Factory Co.,Ltd.*	Note
上海中西三維藥業有限公司 Shanghai Zhongxi Sunve Pharmaceutical Co.,Ltd.*	Note
杭州胡慶餘堂藥業有限公司 Hangzhou Huqing Yutang Pharmaceutical Co., Ltd.*	Note
上海中華藥業有限公司 Shanghai Zhonghua Pharmaceutical Co., Ltd.*	Note
上海醫療器械股份有限公司 Shanghai Medical Instruments Co.,Ltd.*	Note
上藥東英(江蘇)藥業有限公司 SPH Dongying(Jiangsu) Pharmaceutical Co.,Ltd.*	Note
上海雷允上藥業有限公司 Shanghai Leiyunshang Pharmaceutical Co.,Ltd.*	Note

* The English names are for identification purpose only.

Note: Entity controls by the controlling shareholder of Sunway Biotech.

35. RELATED PARTY TRANSACTIONS (CONTINUED)

During the year ended 31 December 2021, the Group had the following significant transactions with related parties (2020: nil):

(i) Secondment services received by the Group:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Sunway Biotech	**1,647**	–
Shanghai Pharmaceuticals Holding Co., Ltd.	**194**	–
Shanghai Pharma Sine Pharmaceutical Factory Co., Ltd.	**125**	–
SPH NO.1 Biochemical & Pharmaceutical Co., Ltd.	**1,589**	–
Shanghai SPH New Asia Pharmaceuticals Co., Ltd.	**1,272**	–
Chiatai Qingchunbao Pharmaceutical Co., Ltd.	**7**	–
Changzhou Pharmaceutical Factory Co.,Ltd.	**77**	–
Shanghai Zhongxi Sunve Pharmaceutical Co.,Ltd.	**664**	–
Hangzhou Huqing Yutang Pharmaceutical Co., Ltd.	**3**	–
Shanghai Zhonghua Pharmaceutical Co., Ltd.	**401**	–
Shanghai Medical Instruments Co.,Ltd.	**3**	–
SPH Dongying(Jiangsu) Pharmaceutical Co.,Ltd	**2,802**	–
Shanghai Leiyunshang Pharmaceutical Co.,Ltd.	**8**	–
Total	**8,792**	–

(b) Key management compensation

Key management includes directors, supervisors and senior management. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Fees	**1,200**	1,200
Salaries	**13,635**	8,906
Discretionary bonuses	**16,275**	26,403
Share-based compensation expenses (Note 25)	**1,855**	1,496
Retirement benefit scheme contributions	**193**	10
Others	**361**	998
	33,519	39,013

36. BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS

(a) Directors', supervisors' and chief executive's emoluments

Details of the emoluments paid or payable to the directors, supervisors and the Chief Executive of the Company for the service provided to the Group during the reporting period are as follows:

Name	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Share-based compensation expenses RMB'000	Retirement benefit scheme contributions RMB'000	Others RMB'000	Total RMB'000
For the year ended 31 December 2021							
Name of executive directors							
Xuefeng Yu*	–	2,060	2,366	–	7	11	4,444
Tao Zhu	–	2,060	2,366	–	37	70	4,533
Dongxu Qiu	–	1,295	2,247	–	7	10	3,559
Shoubai Chao	–	2,060	2,366	–	7	11	4,444
Jing Wang (i)	–	1,307	1,794	1,445	37	68	4,651
Name of non-executive directors							
Qiang Xu (ii)	–	–	–	–	–	–	–
Liang Lin	–	–	–	–	–	–	–
Nisa Leung	–	–	–	–	–	–	–
Zhi Xiao	–	–	–	–	–	–	–
Name of independent non-executive directors							
Shiu Kwan Danny Wai	300	–	–	–	–	–	300
Zhu Xin	300	–	–	–	–	–	300
Shuifa Gui	300	–	–	–	–	–	300
Jianzhong Liu	300	–	–	–	–	–	300
Name of supervisors							
Zhengfang Liao	–	454	231	50	37	69	841
Zhongqi Shao (iii)	–	1,141	494	–	7	10	1,652
Jiangfeng Li	–	–	–	–	–	–	–
Jieyu Zou (iv)	–	–	–	–	–	–	–
	1,200	10,377	11,864	1,495	139	249	25,324

36. BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (CONTINUED)

(a) Directors', supervisors' and chief executive's emoluments (Continued)

Name	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Share-based compensation expenses RMB'000	Retirement benefit scheme contributions RMB'000	Others RMB'000	Total RMB'000
For the year ended 31 December 2020							
Name of executive directors							
Xuefeng Yu*	–	1,691	4,810	–	1	152	6,654
Tao Zhu	–	1,691	4,810	–	3	202	6,706
Dongxu Qiu	–	1,000	4,700	–	1	93	5,794
Shoubai Chao	–	1,691	4,810	–	1	152	6,654
Name of non-executive directors							
Qiang Xu	–	–	–	–	–	–	–
Liang Lin	–	–	–	–	–	–	–
Nisa Leung	–	–	–	–	–	–	–
Zhi Xiao	–	–	–	–	–	–	–
Name of independent non-executive directors							
Shiu Kwan Danny Wai	300	–	–	–	–	–	300
Zhu Xin	300	–	–	–	–	–	300
Shuifa Gui	300	–	–	–	–	–	300
Jianzhong Liu	300	–	–	–	–	–	300
Name of supervisors							
Zhengfang Liao	–	207	78	50	3	107	445
Jiangfeng Li	–	–	–	–	–	–	–
Jieyu Zou	–	–	–	–	–	–	–
	1,200	6,280	19,208	50	9	706	27,453

* Chief executive of the Company

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were for their services as directors of the Company. The supervisors' emoluments shown above were for their services as supervisors of the Company.

Notes:

(i) On 10 September, 2021, Ms. Jing WANG was nominated as a candidate for executive Director of the second session of the Board and further approved by the Shareholders to become an executive Director at the 2021 third extraordinary general meeting of the Company on 11 October, 2021.

(ii) On 10 September 2021, Mr. Qiang Xu ceased to be a non-executive director of the Company.

(iii) On 28 May 2021, Mr. Zhongqi SHAO was appointed as a supervisor of the Company.

(iv) On 28 May 2021, Ms. Jieyu Zou ceased to be a supervisor of the Company.

36. BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (CONTINUED)

(b) No directors or supervisors waived or agreed to waive any emoluments. No emoluments were paid to directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

(c) Directors' and supervisors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director or a supervisor of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the years ended 31 December 2021 and 2020.

37. FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Financial assets at amortised cost		
Cash and cash equivalents (Note 23)	**5,456,873**	4,447,029
Term deposits (Note 22)	**463,358**	265,441
Trade receivables (Note 19)	**157,926**	21,639
Other receivables excluding non-financial assets (Note 20)	**22,511**	845
	6,100,668	4,734,954
Financial assets at fair value through profit or loss		
Structured deposits (Note 21)	**1,821,789**	646,640
Equity investment (Note 21)	**45,310**	20,000
Wealth management products (Note 21)	**40,631**	–
Derivative financial assets (Note 21)	**255**	–
	1,907,985	666,640
Financial liabilities at amortised cost		
Borrowing (Note 26)	**1,120,791**	130,159
Trade payables (Note 29)	**842,567**	60,573
Other payables excluding non-financial liabilities (Note 30)	**447,437**	224,297
	2,410,795	415,029

38. FINANCIAL RISK MANAGEMENT

38.1 Financial risk factors

The Group's risk management is carried out by the finance department under policies approved by the board of directors. The department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, other price risk, credit risk and liquidity risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

Foreign currency risk is the risk that the value of a financial instrument fluctuates because of the change in foreign exchange rates. It is the policy of the Group to enter into foreign exchange forward contracts to manage the risk associated with anticipated sales and purchases transactions denominated in USD up to 3 months (as detailed in Note 21).

The Group have foreign currency sales, purchases and bank balances which expose the Group to foreign currency risk. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
USD		
Cash at banks	**2,691,558**	8,776
Trade receivable	**34,422**	504
Trade payables	**(7,109)**	–
Other payables and accruals	**(19,836)**	–
HKD		
Cash at banks	**219,596**	418,126
Terms deposits with initial term of over three months	**188,158**	–

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

38.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

The Group closely monitors the impact resulted from fluctuations in the exchange rate. As at 31 December 2021, the Group has entered into foreign currency forward contracts to eliminate the foreign exchange exposure of USD50,000,000.

As at 31 December 2021, if RMB strengthened or weaken by 5% against USD with all other variables held constant, profits for the year ended 31 December 2021 would decrease or increase by RMB 101,163,000 (2020: RMB 439,000).

As at 31 December 2021, if RMB strengthened or weaken by 5% against HKD with all other variables held constant, profits for the year ended 31 December 2021 would decrease or increase by RMB 17,330,000 (2020: RMB 20,906,000).

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to bank borrowings (Note 26). The Group is also exposed to fair value interest rate in relation to bank balances, term deposits and lease liabilities. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in floating rates and ensure they are within reasonable range.

During the years ended 31 December 2021 and 2020, some portion of borrowings interests were capitalised. Assuming that there was no interest capitalisation effect, the Group performs a sensitivity analysis below which has been determined based on the exposure to interest rates for the bank borrowings at the end of the reporting period. For floating rate borrowings, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year.

A 50 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 50 basis points higher and all other variables were held constant, the Group's profits would approximately decrease by RMB 4,761,000 for the year ended 31 December 2021 (2020: the Group's losses would increase by RMB 650,000).

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

38.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(iii) Other price risk

The Group is exposed to equity price risk through its equity investment measured at fair value through profit or loss.

The sensitivity analysis below has been determined based on the exposure to equity price risk at the reporting date for financial assets at fair value through profit or loss.

If the prices of the respective equity instruments had been changed based on the 5% higher/lower, the profit for the year ended December 31, 2021 would increase by RMB 2,295,000 (2020: nil) or decrease by RMB 2,284,000 (2020: nil), as a result of the changes in fair value of financial assets at FVTPL.

(b) Credit risk

Credit risk mainly arises from term deposits, cash at banks, trade receivables, other receivables and structured deposits. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet.

The credit risk of term deposits, cash at banks and structured deposits is limited because the counterparties are state-owned or reputable commercial banks which are high-credit-quality financial institutions located in the PRC.

For trade receivables and other receivables, management makes periodic assessments as well as collective and individual assessment on the recoverability based on historical settlement records and past experience and adjusts for forward looking information. The Group applies the simplified approach for the Group's trade receivables using a lifetime ECL provision.

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

38.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

As part of the Group's credit risk management, the Group determines the ECL on these items based on the financial quality of debtors and historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix within lifetime ECL.

Gross carrying amount	**As at 31 December 2021**	
Ageing analysis	**Average loss rate %**	**Trade receivables RMB'000**
1-180 days	–	123,274
181-365 days	5	36,476

As at 31 December 2021, the Company provided RMB 1,824,000 as expected credit losses for trade receivables for the year ended 31 December 2021 (2020: nil).

Management has assessed that during the year ended 31 December 2021, other receivables have not had a significant increase in credit risk since initial recognition. Thus, a 12-month expected credit loss approach that results from possible default event within 12 months of each reporting date is adopted by management. The directors of the Company do not expect any losses from non-performance by the counterparties of other receivables and no loss allowance provision for other receivables was recognised.

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

38.1 Financial risk factors (Continued)

(c) Liquidity risk

The Group aims to maintain sufficient cash to meet operating capital requirements.

The table below analyses the Group's non-derivative financial liabilities and lease liabilities into relevant maturity groupings based on the remaining period at the end of the reporting periods to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Weighted Interest rates	On demand or less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2021						
Trade payables	**–**	**842,567**	**–**	**–**	**–**	**842,567**
Other payables	**–**	**447,437**	**–**	**–**	**–**	**447,437**
Borrowings	**3.0**	**1,092,036**	**41,476**	**–**	**–**	**1,133,512**
Lease liabilities	**5.1**	**32,803**	**27,223**	**69,627**	**251,596**	**381,249**
Total		**2,414,843**	**68,699**	**69,627**	**251,596**	**2,804,765**
As at 31 December 2020						
Trade payables	–	60,573	–	–	–	60,573
Other payables	–	224,297	–	–	–	224,297
Borrowings	4.5	44,450	91,625	–	–	136,075
Lease liabilities	5.2	8,870	3,741	137	–	12,748
Total		338,190	95,366	137	–	433,693

38.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less "cash and cash equivalents". Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debt.

As at 31 December 2021 and 2020, the Group was in a net cash position and thus, gearing ratio is not applicable.

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

38.3 Fair value estimation

(a) Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis

This note provides information about how the Group determines fair value of the following financial assets that are measured at fair value on a recurring basis.

Financial assets	Fair value as at 31/12/2021 RMB'000	Fair value as at 31/12/2020 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of significant unobservable input(s) to fair value
Structured deposits	**1,821,789**	646,640	Level 3	Discounted cash flow – Future cash flows are estimated based on expected rate of return	Expected rate of return	The higher the expected rate of return, the higher the fair value
Wealth management product	**40,631**	–	Level 2	Discounted cash flow – Future cash flows are estimated based on expected rate of return published by the product managers	N/A	N/A
Equity investment	**45,310**	20,000	Level 3	Back-solve model and option pricing model-fair value estimated based on key inputs including IPO, liquidity, redemption probabilities, risk-free interest rate and volatility	IPO, liquidity, redemption probability, volatility	The higher the volatility, the higher the fair value
Derivative financial asset	**255**	–	Level 2	Discounted cash flow – Future cash flows are estimated based on observable forward exchange rates and contracted forward rates, discounted at rates that reflect the creditrisk of of various counterparties	N/A	N/A

There were no transfers between level 1 and 2 during 2021 and 2020.

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

38.3 Fair value estimation (Continued)

(b) Reconciliation of level 3 fair value measurements

Details of reconciliation of financial assets at FVTPL measured at Level 3 fair value measurement are set out as below:

	Structured deposits Year ended 31 December		Equity investment Year ended 31 December		Gross obligations from put options written Year ended 31 December	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Opening balance	646,640	111,526	20,000	–	–	–
Additions	8,251,000	6,130,000	–	20,000	(604,890)	–
Settlements	(7,121,772)	(5,633,561)	–	–	–	–
Gains and losses recognised in profit or loss	45,921	38,675	25,310	–	44,748	–
Transfer out	–	–	–	–	560,142	–
Closing balance	1,821,789	646,640	45,310	20,000	–	–
Total gains or losses for the year included in "other income"	45,772	32,035	–	–	–	–
Changes in unrealised gains or losses for the year included in "other gains (losses), net" at the end of the year	149	6,640	25,310	–	–	–

(c) Fair value of financial assets and financial liabilities that are not measured at fair value

The directors of the Company consider that the carrying amount of the Group's financial assets and financial liabilities recorded at amortized 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 discounted cash flow analysis.

39. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

39.1 General information of subsidiaries

Name of company	Place of incorporation	Proportion ownership interest held by the Company				Principal activity
		Directly		Indirectly		
		2021	2020	2021	2020	
Tianjin Wan Bo Biomedical Technology Co., Ltd.*	China	100.00%	100%	–	–	Business development and trade services
CanSino Biologics (Canada) Inc.	Canada	100.00%	100%	–	–	Research and development
CanSino Biologics (Singapore) Inc Pte. Ltd	Singapore	100.00%	100%	–	–	Business development and trade services
CanSino SPH (Note)	China	49.80%	N/A	–	N/A	Production and manufacturing
CanSino Biologics (Hong Kong) Limited	Hong Kong, China	100.00%	N/A	–	N/A	Research and development
CanSino Biologics (Shanghai) Co., Ltd.*	China	100.00%	N/A	–	N/A	Business development and trade services
CanSino (Shanghai) Biological Research and development Co., Ltd.*	China	–	N/A	100.00%	N/A	Research and development
CanSino (Shanghai) Biotechnology Co., Ltd.*	China	–	N/A	90.00%	N/A	Production and manufacturing

* The English names are for identification purpose only.

None of the subsidiaries had issued any debt securities at the end of the year.

Note: On 2 February 2021, CanSino SPH was established in Shanghai with a registered capital of RMB 100,000,000 pursuant to an investment agreement entered into by the Company, Sunway Biotech and Shanghai Biomedical Industry Equity Investment Fund Partnership (Limited Partnership) ("**Industry Investment Fund**"), both being independent third parties. CanSino SPH was owned as to 45% by the Company, 40% by Sunway Biotech and 15% by Industry Investment Fund. CanSino SPH is a subsidiary of the Company as a result of a concert party agreement entered into by and between the Company and Industry Investment Fund. On 17 May 2021, the Company, Sunway Biotech and Industry Investment Fund entered into a capital increase agreement, pursuant to which, the Company and Sunway Biotech agreed to increase the registered capital of CanSino SPH from RMB 100,000,000 to RMB 1,204,890,000 by way of capital contribution of an amount of RMB 555,000,000 and RMB 549,890,000 into CanSino SPH by the Company and Sunway Biotech, respectively. Upon completion of the capital increase, CanSino SPH was owned as to approximately 49.8% by the Company, approximately 49.0% by Sunway Biotech and approximately 1.2% by Industry Investment Fund and remained as a subsidiary of the Company. Under the investment agreement, each of Sunway Biotech or Industry Investment Fund is entitled to terminate the agreement by way of exercising a put option written by the Company to each of them upon occurrence of certain specific triggering events when CanSino SPH did not meet the certain performance target specified with the exercise price being no more than the then net asset value of CanSino SPH and no less than 80% of the exercising party's total cost of investment in CanSino SPH. On 1 December 2021, all the performance targets have been met. As a result, the gross obligations from the put options written by the Company was derecognised and transferred into non-controlling interests, and the operating result of CanSino SPH was allocated between the owner of the Company and the non-controlling interests.

39. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (CONTINUED)

39.2 Details of non-wholly owned subsidiary that have material non-controlling interests

Name of subsidiary	Principal place of business and place of incorporation	Proportion of ownership interests as at		Loss allocated to non-controlling Interests for the year ended		Accumulated non-controlling interests as at	
		31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020
				RMB'000	RMB'000	RMB'000	RMB'000
CanSino SPH	PRC	49.80%	–	(7,304)	–	552,838	–

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interest is set out below. The summarised financial information below represents amounts before intragroup eliminations.

CanSino SPH	At 31 December	
	2021	2020
	RMB'000	RMB'000
Current assets	723,906	N/A
Non-current assets	1,000,326	N/A
Current liabilities	367,760	N/A
Non-current liabilities	255,265	N/A
Equity attributable to owners of the Company	548,369	N/A
Non-controlling interests of CanSino SPH	552,838	N/A

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Revenue	17,861	N/A
Expenses	121,544	N/A
Loss for the year	(103,683)	N/A
Profit (loss) attributable to:		
– Owners of the Company	(96,379)	N/A
– Non-controlling interests of CanSino SPH	(7,304)	N/A
Loss for the year	(103,683)	N/A
Total comprehensive expense attributable to		
– Owners of the Company	(96,379)	N/A
– Non-controlling interests	(7,304)	N/A
Dividends paid to non-controlling interests of CanSino SPH	–	N/A
Net cash inflow (outflow) from operating activities	(206,515)	N/A
Net cash inflow (outflow) from investing activities	(648,775)	N/A
Net cash inflow (outflow) from financing activities	1,236,689	N/A
Net cash inflow (outflow)	381,399	N/A

40. SUBSEQUENT EVENTS

Save as disclosed elsewhere in the report, the following significant events took place subsequent to 31 December 2021:

(a) On 23 January 2022, the Board considered and approved the repurchase ("**Shares Repurchase**") of a portion of issued A Shares by the Company using its internal funds through Centralized Bidding Trading at the seventh extraordinary meeting of the second session of the Board. The total amount of funds for the Share Repurchase shall be not less than RMB 150 million (inclusive) and not more than RMB 300 million (inclusive). The maximum repurchase price of the Share Repurchase will not exceed RMB446.78 per A Share, and all the A shares repurchased will be used for future employee stock ownership plan or share award scheme.

(b) The Board proposed the declaration of a final cash dividend of RMB 8 per 10 Shares (amounting to a total dividend of approximately RMB 197,700 thousand, tax inclusive) for the year ended 31 December 2021 based on the total outstanding shares of 247,449,899 and excluded 325,000 shares which had been repurchased by the Company up to 25 March 2022. The proposal is subject to the approval by the shareholders' general meeting. The total amount of dividend is subject to further changes which may result from new issue or repurchase of shares subsequent to the date of approval on the issuance of the consolidated financial statements of the Group for the year ended 31 December 2021.

"A Share Offering"	the Company's initial public offering of 24,800,000 A Shares and listing on the Sci-Tech Innovation Board of Shanghai Stock Exchange on August 13, 2020
"A Shares"	ordinary shares in the share capital of our Company with a nominal value of RMB1.00 each and listed on the Sci-Tech Innovation Board of the Shanghai Stock Exchange and traded in RMB
"Ad5-EBOV"	an adenovirus type 5 vector based Ebola virus disease vaccine, a vaccine jointly developed by, among others, CanSinoBIO, that protects against Ebola by relying on the recombinant replication-defective human adenovirus type-5 vector to induce the immune response. It received the NDA approval in China in October 2017
"Ad5-nCoV"	Recombinant Novel Coronavirus Vaccine (Adenovirus Type 5 Vector), consisting of two types of products, namely Convidecia and Ad5-nCoV for Inhalation
"Ad5-nCoV for Inhalation"	Recombinant Novel Coronavirus Vaccine (Adenovirus Type 5 Vector) for inhalation
"adenovirus"	a DNA virus originally identified in human adenoid tissue, causing infections of the respiratory system, conjunctiva, and gastrointestinal tract
"Articles of Association"	the articles of association of the Company, as amended from time to time
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of directors of the Company
"Board of Supervisors"	the board of supervisors of the Company
"CanSino Innovative Vaccine Industrial Campus Project"	an upgrade and replacement of the construction plan of phase II manufacture facilities originally planned by the Company in its A Share Offering prospectus
"CanSino SPH"	CanSino SPH Biologics Inc.* (上海上藥康希諾生物製藥有限公司), a limited liability company established in the PRC in February 2021 pursuant to a joint venture agreement entered into by and among the Company, Shanghai Sunway Biotech and Industry Investment Fund in January 2021, and a subsidiary of the Company as of the date of this report
"CanSinoBIO" or "Company"	CanSino Biologics Inc. (康希諾生物股份公司), a joint stock company incorporated in the PRC with limited liability on February 13, 2017, or, where the context requires (as the case may be), its predecessor, Tianjin CanSino Biotechnology Inc. (天津康希諾生物技術有限公司), a company incorporated in the PRC with limited liability on January 13, 2009

Definitions

"Capital Increase"	the increase of the registered capital of CanSino SPH by way of injecting capital in an aggregate amount of RMB1,104,890,000 by the Company and Shanghai Sunway Biotech, the completion of which has taken place in early June 2021, details of which as set out in the announcements of the Company dated May 17, 2021 and June 1, 2021
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules
"China" or "the PRC"	the People's Republic of China, but for the purpose of this report and for geographical reference only and except where the context requires, references in this announcement to "China" and the "PRC" do not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Company Law"	the Company Law of the PRC (中華人民共和國公司法), as amended from time to time
"Concert Party Agreement"	the agreement entered into between Dr. Yu, Dr. Zhu, Dr. Qiu and Dr. Mao on February 13, 2017 and subsequently amended on January 26, 2022 pursuant to which Dr. Yu, Dr. Zhu, Dr. Qiu and Dr. Mao have undertaken to, among other things, vote (and procure the entities held by them if any to vote) unanimously for any resolutions proposed at any Shareholders' meeting of our Company
"conjugate"	chemically link bacterial capsular polysaccharide to a protein to enhance immunogenicity
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Hong Kong Listing Rules and unless the context requires otherwise, refers to Dr. Yu, Dr. Zhu, Dr. Qiu and Dr. Mao
"Convidecia"	trade name of Recombinant Novel Coronavirus Vaccine (Adenovirus type 5 Vector) for intramuscular injection
"core product(s)"	for the purpose of this report, include our MCV2 and MCV4, namely the core products under the Chapter 18A of the Hong Kong Listing Rules, together with our Convidecia
"COVID-19"	the disease caused by a new coronavirus called SARS-CoV-2
"CSRC"	China Securities Regulatory Commission
"CTA"	clinical trial application, the PRC equivalent of investigational new vaccine application
"Director(s)"	the director(s) of the Company
"Dr. Chao"	Dr. Shou Bai CHAO, executive Director, chief operating officer and deputy general manager of the Company and spouse of Dr. Mao

"Dr. Mao"	Dr. Helen Huihua MAO, executive vice president and deputy general manager of the Company, our co-founder and Controlling Shareholder and spouse of Dr. Chao
"Dr. Qiu"	Dr. Dongxu QIU, executive Director, executive vice president and deputy general manager of the Company, our co-founder and Controlling Shareholder
"Dr. Yu"	Dr. Xuefeng YU, chairman of the Board, executive Director, chief executive officer and general manager of the Company, our co-founder and Controlling Shareholder
"Dr. Zhu"	Dr. Tao ZHU, executive Director, chief scientific officer and deputy general manager of the Company, our co-founder and Controlling Shareholder
"DTcP"	diphtheria, tetanus and acellular pertussis (components) combined vaccine, each pertussis antigen of DTcP vaccines is purified individually and are subsequently combined in a defined ratio, hence ensuring a fixed and consistent composition
"DTcP Booster"	a vaccine being developed by us that addresses the weaker protection preventing pertussis after primary vaccination, designed for children (4 to 6 years old)
"DTcP Infant"	DTcP vaccine for infants (below 2 years old)
"First Grant"	the proposed grant of not more than 880,200 Restricted Shares, representing approximately 80.00% of the total number of Restricted Shares under the Incentive Scheme
"GMP"	Good Manufacturing Practice, guidelines and regulations from time to time issued pursuant to the PRC Drug Administration Law《中華人民共和國藥品管理法》as part of quality assurance which aims to minimize the risks of contamination, cross contamination, confusion and errors during the manufacture process of pharmaceutical products and to ensure that pharmaceutical products subject to these guidelines and regulations are consistently produced and controlled in conformity to quality and standards appropriate for their intended use
"Group"	the Company and its subsidiaries
"H Share(s)"	overseas listed shares in the share capital of our Company with a nominal value of RMB1.00 each, which are subscribed for and traded in HKD and listed on the Main Board of the Hong Kong Stock Exchange
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	the Hong Kong Financial Reporting Standards
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

Definitions

"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended or supplemented from time to time
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"immunogenicity"	the ability of a particular substance, such as an antigen, to provoke an immune response in the body of a human and other animal
"Incentive Scheme"	the 2021 Restricted A Share Incentive Scheme of the Company
"Industry Investment Fund"	Shanghai Biomedical Industry Equity Investment Fund Partnership (Limited Partnership)* (上海生物醫藥產業股權投資基金合夥企業（有限合夥)), an existing shareholder of CanSino SPH and an independent third party of the Company as of the date of this report, the general partner of which is Shanghai Biomedical Industry Equity Investment Fund Co., Ltd.* (上海生物醫藥產業股權投資基金管理有限公司)
"Listing of H Shares"	the listing of the H Shares on the Main Board of the Hong Kong Stock Exchange on March 28, 2019
"Main Board"	the Main Board of the Hong Kong Stock Exchange
"MCV"	meningococcal conjugate vaccine, used to prevent infection caused by meningococcal bacteria
"MCV2"	Groups A and C MCV, a vaccine used for the prevention of *N. meningitides* (Lta)
"MCV4"	Groups A, C, Y and W135 MCV, a vaccine used for the prevention of *N. meningitides* (Lta)
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
"NDA"	new drug application
"NMPA"	the National Medical Products Administration of China (國家藥品監督管理局) or, where the context so requires, its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局), or CFDA
"Nomination Committee"	the nomination committee of the Board
"PBPV"	a globally innovative, serotype-independent protein-based pneumococcal vaccine being developed by us
"PCV13"	13-Valent pneumococcal conjugate vaccine, 13-valent vaccine primarily used for the prevention of invasive pneumococcal diseases
"PCV13*i*"	an improved pneumococcal polysaccharide conjugate vaccine being developed by us

"pertussis"	commonly known as whooping cough, a respiratory tract infection characterized by a paroxysmal cough
"polysaccharide"	a carbohydrate that can be decomposed by hydrolysis into two or more molecules of monosaccharides
"PPV23"	23-valent pneumococcal polysaccharide vaccine, used for the prevention of invasive pneumococcal disease in children aged above two years of old and adults
"R&D"	research and development
"Remuneration and Assessment Committee"	the remuneration and assessment committee of the Board
"Renminbi" or "RMB"	Renminbi Yuan, the lawful currency of China
"Reporting Period"	the year from January 1, 2021 to December 31, 2021
"Reserved Grant"	the reserved grant of not more than 220,050 Restricted Shares, representing approximately 20.00% of the total number of Restricted Shares under the Incentive Scheme
"Restricted Share(s)"	A Share(s) to be granted to the participants by the Company under the Incentive Scheme of the Company
"Service Agreement"	the services framework agreement dated July 16, 2021 entered into by and between CanSino SPH and Shanghai Pharma in relation to the provision of personnel secondment services by Shanghai Pharma to CanSino SPH
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Shanghai Pharma"	Shanghai Pharmaceuticals Holding Co., Ltd.* (上海醫藥集團股份有限公司), a company whose shares are listed on the Hong Kong Stock Exchange (stock code: 2607) and the Shanghai Stock Exchange (stock code: 601607)
"Shanghai Sunway Biotech"	Shanghai Sunway Biotech Co., Ltd.* (上海三維生物技術有限公司), a wholly owned subsidiary of Shanghai Pharma and a connected person of the Company at the subsidiary level as of the date of this report
"Shareholder(s)"	holder(s) of the Shares
"Share(s)"	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, comprising A Share(s) and H Share(s)
"STAR Market Listing Rules"	the Rules Governing the Listing of Stocks on the STAR Market of Shanghai Stock Exchange《(上海證券交易所科創板股票上市規則》)

Definitions

"Supervisor(s)"	supervisor(s) of our Company
"TB"	tuberculosis, an infection caused by *Mycobacterium tuberculosis* that primarily affects the lungs
"TB Booster"	a recombinant human type 5 adenovirus-based tuberculosis vaccine, a globally innovative TB booster vaccine for Bacillus Calmette-Guerin vaccinated population
"Tdcp Adolescent and Adult"	a vaccine being developed by us for adolescents and adults (above 10 years old) that protects against pertussis, containing slightly increased amount of TT antigen to DTcP vaccine candidate for infants, but reduced amounts of pertussis and DT antigens
"vector"	an agent (such as a plasmid or virus) that contains or carries modified genetic material (such as recombinant DNA) and can be used to introduce exogenous genes into the genome of an organism

* *For identification purposes only*

康希诺生物股份公司
CanSino Biologics Inc.