Immunotech Biopharm Ltd

永泰生物製藥有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 6978

2021 ANNUAL REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr TAN Zheng *(Chairman)*
Dr WANG Yu *(CEO)*
Mr JUNG Hyun Chul

Non-executive Directors

Mr SI Xiaobing
Mr LU Yuan
Mr LI Yuezhong *(resigned on 23 August 2021)*
Mr TAO Ran *(appointed on 23 August 2021)*

Independent non-executive Directors

Professor WANG Yingdian
Mr NG Chi Kit
Ms PENG Sujiu

COMPANY SECRETARY

Ms YIN Mengyang *(resigned on 23 August 2021)*
Ms LEUNG Shui Bing *(resigned on 23 August 2021)*
Mr YANG Ning *(appointed on 23 August 2021)*

AUTHORISED REPRESENTATIVES

Mr TAN Zheng
Ms LEUNG Shui Bing *(resigned on 23 August 2021)*
Mr YANG Ning *(appointed on 23 August 2021)*

AUDIT COMMITTEE

Mr NG Chi Kit *(Chairman)*
Ms PENG Sujiu *(resigned on 23 August 2021)*
Mr TAO Ran *(appointed on 23 August 2021)*
Professor WANG Yingdian

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUDITOR

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

COMPLIANCE ADVISER

Guosen Securities (HK) Capital Company Limited
Suites 3207-3212, 32/F
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88 Queensway, Hong Kong

LEGAL ADVISER

As to Hong Kong law
Eric Chow & Co. in Association with Commerce & Finance Law Offices
29th Floor
238 Des Voeux Road Central
Hong Kong

Corporate Information

PRINCIPAL BANKS

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

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

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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1 Kangding Street
BDA
Beijing, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

REGISTERED OFFICE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

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

STOCK CODE

6978

COMPANY'S WEBSITE

www.eaal.net

DATE OF LISTING

10 July 2020

Corporate Profile

OVERVIEW

We are a leading cellular immunotherapy biopharmaceutical company in China focusing on the research, development, and commercialisation of T cell immunotherapy for over 15 years. EAL® – our Core Product Candidate – is a multi-target cellular immunotherapy product with more than a decade of track record of clinical application, and has shown efficacy in the treatment of various types of cancer. Our EAL®– related research began in 2006, and we have improved upon our cell culture system and methods, and developed our proprietary, patented technology platform for the production of EAL® cells.

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

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

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

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

Business and Financial Highlights

BUSINESS HIGHLIGHTS

Clinical trials

EAL® – post-surgical recurrence of liver cancer as indication

EAL® is undergoing Phase II clinical trial with the post-surgical recurrence of liver cancer selected as the clinical indication. As at the date of this report, the Company has completed the enrollment of 397 targeted patients for the Phase II clinical trial. The Company is confident that it will submit a pre-NDA meeting application for the product to the NMPA and hopefully market the product in 2023.

CAR-T-19 Injection

CAR-T-19 Injection, T cells that are genetically modified to express anti-CD19 chimeric antigen receptors and one of the Group's pipeline products, has received an approval of the IND for clinical trials from the CDE.

Following the IND approval, the Company has commenced Phase I clinical trial process for the CAR-T-19 Injection and presented the Phase I clinical trial protocol and proposed timetable in a kick-off conference meeting, which took place in Beijing on 25 February 2021. As at the date of this report, the Company has completed the enrollment of six targeted patients for the Phase I clinical trial for CAR-T-19 Injection. It is expected that the targeted patient enrollment will complete and the preliminary analysis and results will be published in 2022.

6B11-OCIK Injection

As at the date of this report, the Company has completed the enrollment of three targeted patients for the Phase I clinical trial for 6B11-OCIK Injection. We plan to complete the enrollment of targeted patients in the third quarter of 2022 and publish the preliminary analysis and results in 2022.

EAL® – gastric cancer as indication

The Company is currently conducting a pre-clinical study of EAL® for gastric cancer as indication. The pharmacodynamics study has been completed and the pharmacology and toxicology studies are in progress. The Company expects to submit the clinical study application to the CDE of the NMPA in 2022 after completing the pre-clinical study.

RC19D2 (originally known as CAR-T-19-D2 or CAR-T-19-DNR)

The Company has submitted the communication meeting application of new drug clinical trial to the CDE of the NMPA for RC19D2 Injection product. RC19D2 targets immunosuppressive molecule TGF-ß, it is an injection for the treatment of patients with relapsed and refractory diffuse large B-cell lymphoma. The injection has the goal of overcoming chimeric antigen receptor T cells' pain points in terms of the lack of persistence, the lack of efficacy in the treatment of solid tumours, and in the prevention of tumour recurrence.

Business and Financial Highlights

Others

Strategic Cooperation Framework Agreement with China Resources Pharmaceutical Group Limited ("CR Pharma")

On 17 September 2021, the Company and CR Pharma entered into a Strategic Cooperation Framework Agreement, pursuant to which the Company and CR Pharma agreed to strategically cooperate in (i) sales and distribution of EAL® within the PRC; (ii) operations and R&D; (iii) establishment of a fund in Shenzhen; and (iv) future financing arrangements. Details of the Strategic Cooperation Framework Agreement are set out in the announcement of the Company dated 17 September 2021.

Publication of Research Article in Relation to 6B11-OCIK

In August 2021, Dr Wang Yu, along with other authors who include researchers of Beijing Weixiao contributed to the publication of a research article on Frontiers in Immunology, which suggested that autologous 6B11-OCIK treatment was safe and had potential clinical efficacy against ovarian cancer. Details of the publication are set out in the announcement of the Company dated 4 August 2021.

Industry Fund

On 24 February 2021, the Company, through Beijing Yongtai, entered into establishment of the Industry Fund with, Shaoxing Binhai Investment Fund, to set up the research and development and production centre of EAL® for the Eastern China and focus on investments in the upstream and downstream industrial chain of cellular immunotherapy. Details of the establishment of and investment in the Industry Fund are set out in the voluntary announcement of the Company dated 24 February 2021.

Exclusive License Agreement with T-Cure

The Company entered into the License Agreement with T-Cure as confirmed by NIH on 11 January 2021. With the grant of a retroviral-vectored TCR-based immunotherapy for renal cell carcinoma in HLA A-11 restricted human patients, the Company will gain advantage in treatment of renal cell carcinoma indication in the PRC. Details of the License Agreement are set out in the announcement of the Company dated 12 January 2021.

Investment Fund

The Company entered into the Subscription Agreement with Tasly Bioscience Fund Limited on 31 December 2020 in relation to the subscription of the Investment Fund. The Company's total capital contribution to the Investment Fund as a limited partner is HK$156.8 million. The Investment Fund has made an investment of HK$146,220,000 (equivalent to RMB119,769,000) to a project in June 2021. As at 31 December 2021, fair value of the Company's portion in the Investment Fund amounted to approximately RMB111.7 million, which represented approximately 10.2% of the total assets of the Group.

Business and Financial Highlights

FINANCIAL HIGHLIGHTS

Other income increased by approximately RMB11.8 million or approximately 195.7% from approximately RMB6.0 million for the year ended 31 December 2020 to approximately RMB17.8 million for the year ended 31 December 2021.

Other gains and losses, net decreased by approximately RMB17.0 million or approximately 41.8% from losses of approximately RMB40.5 million for the year ended 31 December 2020 to losses of approximately RMB23.5 million for year ended 31 December 2021.

Research and development expenses decreased by approximately RMB38.0 million or approximately 13.6% from approximately RMB278.6 million for the year ended 31 December 2020 to approximately RMB240.6 million for the year ended 31 December 2021.

Administrative expenses increased by approximately RMB35.7 million or approximately 51.9% from approximately RMB68.6 million for the year ended 31 December 2020 to approximately RMB104.3 million for the year ended 31 December 2021.

Loss before tax decreased by approximately RMB84.5 million or approximately 19.2% from approximately RMB439.1 million for the year ended 31 December 2020 to approximately RMB354.6 million for the year ended 31 December 2021.

Loss and total comprehensive expenses for the year decreased by approximately RMB84.5 million or approximately 19.2% from approximately RMB439.1 million for the year ended 31 December 2020 to approximately RMB354.6 million for the year ended 31 December 2021.

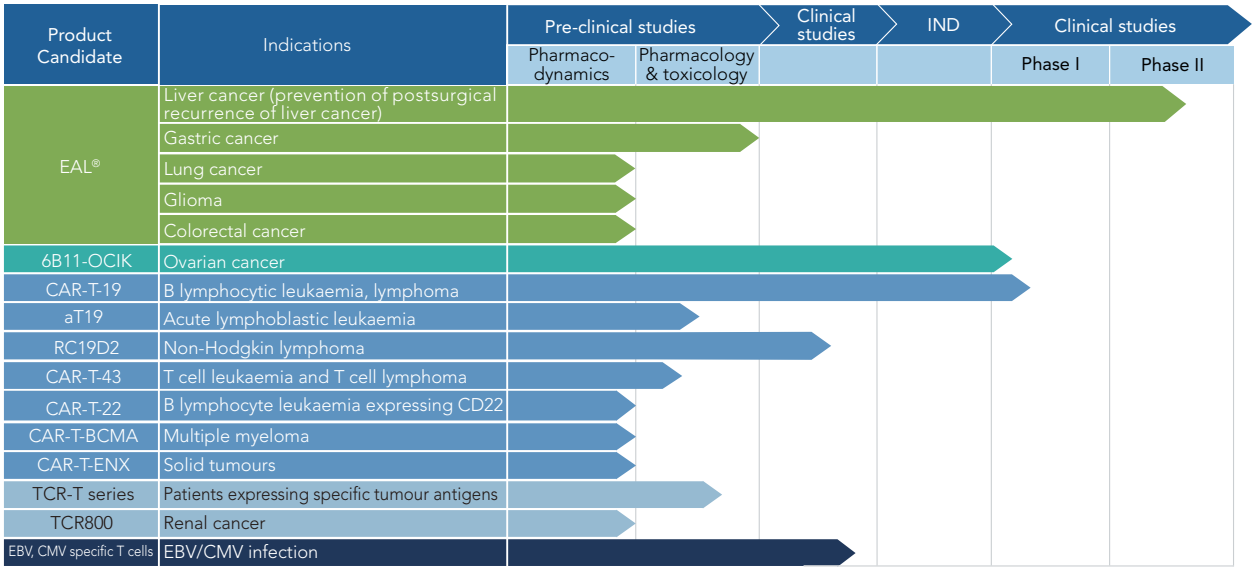
MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis

BUSINESS REVIEW

R&D of our product candidates

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



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

EAL®

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

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

As at the date of this report, the Company has completed the enrollment of 397 targeted patients for the Phase II clinical trial. The Company is confident that it will submit a pre-NDA meeting application for the product to the NMPA and hopefully market the product in 2023.

Management Discussion and Analysis

CAR-T cell product pipeline

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

In December 2020, we received an approval of the IND for clinical trials of CAR-T-19 injection from the CDE. Following the IND approval, the Company has commenced Phase I clinical trial process for the CAR-T-19 injection and presented the Phase I clinical trial protocol and proposed timetable in a kick-off conference meeting, which took place in Beijing on 25 February 2021. As at the date of this report, the Company has completed the enrollment of six targeted patients for the Phase I clinical trial for CAR-T-19 Injection. It is expected that the targeted patient enrollment will complete and the preliminary analysis and results will be published in 2022.

Based on the technology of the CAR-T-19 injection, our RC19D2 injection and aT19 injection product candidates have the ultimate goal of overcoming CAR-T cells' pain points in terms of the lack of persistence, the lack of efficacy in the treatment of solid tumours, and in the prevention of tumour recurrence. If verified, the technology underlying these two product candidates may be used in the genetic modification of other CAR-T and TCR-T cell products targeting solid tumours.

TCR-T cell product pipeline

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

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

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

We entered into the License Agreement with T-Cure on 11 January 2021. With the exclusive license in relation to retroviral-vectored TCR-based immunotherapy for renal cell carcinoma in HLA A-11 restricted human patients that was granted to us, we will gain an advantage in treatment of renal cell carcinoma indication in the PRC.

Management Discussion and Analysis

6B11-OCIK Injection

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

As at the date of this report, the Company has completed the enrollment of three targeted patients for the Phase I clinical trial for 6B11-OCIK Injection. We plan to complete the enrollment of targeted patients in the third quarter of 2022 and publish the preliminary analysis and results in 2022.

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

The Group's facilities

We have a total area of approximately 13,640 sq.m. for a R&D and manufacturing centre in Beijing, which includes a quality inspection building and clean laboratory. Such facilities are capable of supporting our pre-clinical and clinical R&D of cellular immunotherapy product candidates, as well as the early production needs upon marketing approval for our product candidates. All these facilities have been issued clean facility (area) inspection reports by the Beijing Institute for Drug Control. Our Guosheng Laboratory in Beijing has the capacity to handle approximately 40,000 samples per year, and can satisfy the needs from the clinical trials for our product pipeline for two to three years, as well as the early production needs from the commercialisation of EAL®. In addition, we have established a research centre in the Republic of Korea primarily focusing on the development of new technologies relevant to our business.

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

- Northern China region:
    - On 9 October 2021, we, through Beijing Yongtai as the tenant, entered into the Lease Agreement with Leadman as the landlord in relation to the lease of a premises. The premises, being the five floors of the factory, partial area of the fourth floor of the plant, first floor of the sewage treatment facility area, basement and machinery room (the "**Rentable Factory Area**") with an aggregate rentable area of approximately 17,235 sq.m.; (ii) the partial area of the sixth floor (the "**Rentable Office Area**", together with the Rentable Factory Area, the "**Premises**") with an aggregate rentable area of approximately

Management Discussion and Analysis

1,600 sq.m. at Building 1, No.5 Xinghai Road, Beijing Economic and Technological Development Zone, which shall be leased by Leadman to Beijing Yongtai under and in accordance with the terms of the Lease Agreement. The Lease Agreement is for a fixed term of five calendar years commencing on the date of the Lease Agreement. The lease of the Rentable Factory Area commences on 9 October 2021 and the lease of the Rentable Office Area commences on 1 April 2022, respectively. Based on preliminary estimation of the Company, the value of the right-of-use assets in respect of the Premises, after the relevant addition adjustments, shall amount to approximately RMB70 million in aggregate. The Premises is used for carrying out the engineering modification and manufacturing of our core product EAL® and incidental office use related thereto. The Premises will allow the Group to carry out the necessary testing and quality assurance procedures and production for the purpose of the commercialisation of the Group's core product candidate. Details of the Lease Agreement are set out in the announcement of the Company dated 11 October 2021.

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

- Eastern China region: in February 2021, we, through Beijing Yongtai, entered into a cooperation framework agreement with the Shaoxing Binhai New Area Management Committee* (紹興濱海新區管理委員會) with a view to, among others, establishing the proposed research and development and production centre of EAL® for the Eastern China region, the proposed joint establishment of academician workstations with universities and research institutions in the PRC, the proposed land development regarding the project and the proposed establishment of the Industry Fund, targeted at investments in the upstream and downstream industrial chain of, among other things, cellular immunotherapy. At present, the total investment for the project is expected to be approximately RMB1.0 billion. The first phase of construction of proposed research and development and production centre of EAL® for the Eastern China region is expected to complete within 24 months after obtaining the relevant land title certificate.

- Southern and Western China regions: we are conducting site evaluation for EAL® commercialisation purposes in the Pearl River Delta region and Sichuan-Chongqing region and expects to finalise its plan in 2022.

Management Discussion and Analysis

Quality assurance

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

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

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

The head of our quality department reports directly to our CEO. There are four sub-teams within the quality department responsible for quality assurance, quality control, R&D quality management and molecule test respectively. As at 31 December 2021, we had 139 staff members in our quality department.

Future and outlook

Expedite the clinical trial and prepare for commercialisation of EAL®

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

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

The first patient for the Phase II clinical trial for EAL® was enrolled in September 2018, and as at the date of this report, the Company has completed the enrollment of 397 targeted patients for the Phase II clinical trial. The Company is confident that it will submit a pre-NDA meeting application for the product to the NMPA and hopefully market the product in 2023.

Management Discussion and Analysis

Expedite the research into the expansion of indications for EAL®

We intend to initiate clinical research on the expansion of indications for EAL®. Several clinical studies have shown the efficacy of EAL® in the treatment of various types of tumours other than liver cancer. After obtaining the marketing approval for EAL®, we plan to expand its clinical indications to diseases such as lung cancer, gastric cancer, and acute myeloid leukaemia. The Company is currently conducting a pre-clinical study of EAL® for gastric cancer as indication. The pharmacodynamics study has been completed and the pharmacology and toxicology studies are in progress. The Company expects to submit the clinical study application to the CDE of the NMPA in 2022 after completing the preclinical study.

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

Advance the pre-clinical studies for pipeline products, and accelerate their entry into clinical trials

We plan to continue to invest into our CAR-T and TCR-T cell product pipelines. In particular, pharmacodynamic studies have been completed in respect of our RC19D2, and aT19 product candidates and they are targeted to enter clinical trials in 2022.

In the area of overcoming the immunosuppressive mechanisms of tumours, we intend to continue our research into multiple genetic modification methods aiming at affecting the signal pathway for T cells, with a view to increasing the T cells' efficacy in killing tumour cells. We expect that RC19D2, which targets immunosuppressive molecule TGF-ß, will be our first product candidate to enter into clinical study. We plan to validate the product candidate's primary safety and efficacy through a researcher – initiated clinical study programme and the programme has been granted the ethical approval by the China Ethics Committee of Registering Clinical Trials.

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

Management Discussion and Analysis

Enhance our technology platform and strengthen our product pipeline

We will be committed to continuing our studies on cellular immunotherapy products appropriate for different tumour types and stages with improved efficacy compared to currently-available products.

In the area of solid tumours caused by oncogenic viruses such as nasopharyngeal cancer (EBV) and cervical cancer (HPV), we are conducting research into TCR-T cell products targeting at solid tumour cells expressing virus antigens.

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

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

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

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

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

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

Management Discussion and Analysis

EVENTS AFTER THE REPORTING PERIOD

Shenzhen-Hong Kong Stock Connect

The Company has been included in the list of Hong Kong Stock Connect stocks under Shenzhen-Hong Kong Stock Connect with effect from 7 March 2022.

Hang Seng Composite Index

On 18 February 2022, Hang Seng Indexes Company Limited announced the results of its review of the Hang Seng Family of Indexes for the quarter ended 31 December 2021. The Company has been included in the Hang Seng Composite Index with effect from 7 March 2022.

Submission of the communication meeting application of new drug clinical trial for RC19D2

On 3 February 2022, we have submitted the communication meeting application of new drug clinical trial to the CDE for our RC19D2 injection product. RC19D2 injection targets immunosuppressive molecule TGF-ß, it is an injection for the treatment of patients with relapsed and refractory diffuse large B-cell lymphoma. The injection has the goal of overcoming CAR-T cells pain points in terms of the lack of persistence, the lack of efficacy in the treatment of solid tumours, and in the prevention of tumour recurrence.

Based on the current research and development progress, the Company expects to obtain the approval of clinical trial of our RC19D2 injection in the year of 2022.

Details of the communication meeting application are set out in the announcement of the Company dated 3 February 2022.

First patient enrolled in the Phase I clinical trial for 6B11-OCIK Injection

On 29 January 2022, the Company has completed its first patient enrollment for 6B11-OCIK Injection Phase I clinical trial in the PRC.

As at the date of this report, the Company has completed the enrollment of three targeted patients for the Phase I clinical trial for 6B11-OCIK Injection.

Based on the progress of clinical trial for 6B11-OCIK Injection and barring unforeseen circumstances, it is expected that the targeted patients enrollment will complete in the third quarter of 2022 and the preliminary analysis and results will be published in 2022.

Details of the phase I clinical trial for 6B11-OCIK Injection are set out in the announcements of the Company dated 11 March 2021, 4 August 2021 and 30 January 2022.

Lock-up undertaking by certain shareholders

On 12 January 2022, the Controlling Shareholders and certain ultimate beneficial owners of the Company, for the purpose of expressing their confidence in the long term value of the Company, each of them has undertaken on a voluntary basis to be subject to lock-up undertakings made in favour of the Company only, with respect to their direct and indirect interest in the shares of the Company.

Details of the lock-up undertaking are set out in the announcement of the Company dated 12 January 2022.

FINANCIAL REVIEW

The following table summarises our results of operations for the year ended 31 December 2021 and 2020:

	For the year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Other income	**17,755**	6,005
Other gains and losses, net	**(23,540)**	(40,454)
Fair value loss of convertible redeemable preference shares	**–**	(16,984)
Administrative expenses	**(104,254)**	(68,625)
Research and development expenses	**(240,610)**	(278,626)
Finance costs	**(3,678)**	(2,389)
Listing expenses	**–**	(37,583)
Other expenses	**(288)**	(473)
Loss before tax	**(354,615)**	(439,129)
Income tax expense	**–**	–
Loss and total comprehensive expense for the year	**(354,615)**	(439,129)
Loss and total comprehensive expense for the year attributable to:		
Owners of the Company	**(354,224)**	(439,047)
Non-controlling interests	**(391)**	(82)
	(354,615)	(439,129)
Loss per share (RMB)		
Basic	**(0.69)**	(0.99)
Diluted	**(0.69)**	(0.99)

Other income

Other income of the Group increased by approximately 195.7% from approximately RMB6.0 million as at 31 December 2020 to approximately RMB17.8 million as at 31 December 2021, which was primarily due to the increase in interest income on bank deposits and government grants during the Reporting Period.

Management Discussion and Analysis

Set out below are the components of other income for the year ended 31 December 2021 and 2020:

	For the year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Income received from provision of cell cryopreservation services (Note a)	**710**	710
Income received from technical service	**132**	–
Interest income on bank deposits	**7,425**	3,581
Interest income from rental deposits	**131**	70
Government grants (Note b)	**9,274**	1,605
Others	**83**	39
Total	**17,755**	6,005

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

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

Other gains and losses, net

Other gains and losses, net of the Group decreased by approximately 41.8% from losses of RMB40.5 million for the year ended 31 December 2020 to losses of RMB23.5 million for the year ended 31 December 2021, which was primarily because of the change in fair value loss on financial assets at FVTPL which include Investment Fund and Industry Fund during the Reporting Period.

Business development expenses

We did not incur any business development expenses for the year ended 31 December 2021, which was primarily due to larger scale of Phase II clinical trial for EAL® based on which we classified all the business development expenses relevant to such clinical trial to our research and development expenses.

Administrative expense

Administrative expense of the Group increased by approximately 51.9% from approximately RMB68.6 million for the year ended 31 December 2020 to approximately RMB104.3 million for the year ended 31 December 2021, which was primarily due to the increase in headcount of administrative staff.

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

Management Discussion and Analysis

Research and development expenses

Research and development expenses of the Group decreased by approximately 13.6% from approximately RMB278.6 million for the year ended 31 December 2020 to approximately RMB240.6 million for the year ended 31 December 2021, which was primarily due to contracting costs are reduced based on the progress of the clinical trials.

	For the year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Materials for research and development project	**27,918**	14,162
Staff costs	**132,519**	157,796
Contracting costs	**47,897**	85,803
Depreciation and amortisation	**14,491**	11,470
Others	**17,785**	9,395
Total	**240,610**	278,626

Finance costs

Finance costs of the Group increased by approximately 54.0% from approximately RMB2.4 million for the year ended 31 December 2020 to approximately RMB3.7 million for the year ended 31 December 2021, which was primarily due to the increase in interest expenses on lease liability recognised pursuant to IFRS 16.

Listing expenses

We did not incur any listing expenses of the Group for the year ended 31 December 2021. Approximately RMB37.6 million of listing expenses incurred for the year ended 31 December 2020 was mainly attributable to the legal and professional fees in relation to the IPO.

Management Discussion and Analysis

Other expenses

Other expenses of the Group decreased by approximately 39.1% from approximately RMB0.5 million for the year ended 31 December 2020 to approximately RMB0.3 million for the year ended 31 December 2021, which was primarily due to that costs for provision of cell cryopreservation services.

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

	For the year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Costs for provision of cell cryopreservation services	**288**	290
Others	**–**	183
Total	**288**	473

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

Loss before tax

For the above reasons, the loss before tax of the Group decreased by approximately 19.2% from approximately RMB439.1 million for the year ended 31 December 2020 to approximately RMB354.6 million for the year ended 31 December 2021.

Income tax expenses

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

Liquidity and capital resources

Our bank balances and cash decreased by approximately RMB492.0 million from approximately RMB845.4 million at 31 December 2020 to approximately RMB353.3 million at 31 December 2021, which was primarily due to the net loss from operation and construction of plant and purchase of related machinery. As at 31 December 2021, we did not have any bank borrowings nor loans.

Management Discussion and Analysis

INDEBTEDNESS

Lease liabilities

As at 31 December 2021, our lease liabilities were approximately RMB111.1 million. The lease liabilities were secured by rental deposits and unguaranteed.

Contingent liabilities, charge of assets and guarantees

Save as disclosed above, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, lease liabilities, liabilities under acceptance or other similar indebtedness, any guarantees or other material contingent liabilities as at 31 December 2021.

CAPITAL STRUCTURE

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

Subsequently, the Company announced that the over-allotment option described in the Prospectus was partially exercised by the joint representatives, on behalf of the international underwriters, on 31 July 2020, in respect of an aggregate of 14,584,000 Shares representing approximately 14.58% of the total number of the Shares initially available under the global offering before any exercise of the over-allotment option to facilitate the return to Tan Zheng Ltd of the borrowed Shares under the stock borrowing agreement which were used to cover over-allocations in the international offering. There was no change in the capital structure of the Group since then. The share capital of the Group only comprises ordinary shares. As at 31 December 2021, the total issued share capital of the Company was US$514,584 divided into 514,584,000 Shares.

The capital structure of the Group was 25.0% debt and 75.0% equity as at 31 December 2021, compared with 6.7% debt and 93.3% equity as at 31 December 2020.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Exclusive license agreement with T-Cure

On 11 January 2021, we entered into the License Agreement with T-Cure, pursuant to which T-Cure agreed to grant an exclusive license to us to use the know-hows, patent rights and processes that are controlled or owned by T-Cure necessary or useful to develop, manufacture or commercialise of the Licensed Products for the development, manufacturing and commercialisation of Licensed Products in the Territory in the field of retroviral-based T-cell receptor based immunotherapy for renal cell carcinoma, and in consideration of which, the Company agreed to pay the upfront payment of US$2 million, US$0.8 million for retrovirus purchases, the milestone payment of US$10 million and royalties based on the net annual sales of Licensed Products, in accordance with the terms of the License Agreement.

Details of the License Agreement are set out in the announcement of the Company dated 12 January 2021.

Management Discussion and Analysis

Subscription of the Investment Fund

On 31 December 2020, we entered into the Subscription Agreement with Tasly Bioscience, in relation to the subscription of the Investment Fund. The Company's total capital contribution to the Investment Fund as a limited partner is HK$156.8 million.

Upon the entering into of the Subscription Agreement, Tasly Bioscience, as the general partner to the Investment Fund, and Tasly Bioscience, as attorney of the limited partners of the Investment Fund including the Company, entered into a limited partnership agreement on 31 December 2020 to govern their relationship and provide for, among others, the manner of operation and management of the Investment Fund. The Investment Fund has made an investment of HK$146,220,000 (equivalent to RMB119,769,000) to a project in June 2021.

As at 31 December 2021, fair value of the Company's portion in the Investment Fund amounted to approximately RMB111.7 million, which represented approximately 10.2% of the total assets of the Group.

The purpose of the investment fund is to engage in investments in the relating to immunotherapy targets and pipelines. The Group intends to expand its business network and reach of the Group through the Investment Fund as a platform with a view to identify marketable potential targets and pipeline products in the industry globally.

The Investment Fund intends to invest in a wide range of instruments including, but not limited to, listed and unlisted equities, preferred or common stocks, convertible securities, fixed income securities, warrants, options, equity related instruments as well as investing in partnership interest as a limited partner, of the portfolio company and partnership investments in multiple stage. The Investment Fund will primarily invest in immunotherapy areas, and the Investment Fund intends to make selective follow-on investments in certain existing portfolio entities of the Investment Fund.

Establishment of and investment in the Industry Fund

On 24 February 2021, we, through Beijing Yongtai, entered into a cooperation framework agreement (the "**Cooperation Framework Agreement**") with the Shaoxing Binhai New Area Management Committee* (紹興濱海新區管理委員會), a governmental management committee of Shaoxing City, Zhejiang Province, with a view to promote the development of biomedical industry in Shaoxing Binhai New Area* (紹興濱海新區) by the introduction of Beijing Yongtai to participate in the Huadong Cellular Immunotherapy Industrial Park* (華東細胞產業園) project, including, among other things, the proposed set up of research and development and production centre of EAL® for the Huadong region, the proposed joint establishment of academician workstations with universities and research institutions in the PRC, the proposed land development regarding the project and the proposed establishment of a specialised industry fund, targeted at investments in the upstream and downstream industrial chain of, among other things, cellular immunotherapy.

Upon the entering into of the Cooperation Framework Agreement, Beijing Yongtai, as the limited partner to the Industry Fund, Tianjin Jinxin Health Technology Co., Ltd.* (天津金新健康科技有限公司), as the general partner to the Industry Fund, and among other limited partners of the Industry Fund, entered into a limited partnership agreement on 24 February 2021 to, among other things, invest in the upstream and downstream industrial chain of cellular immunotherapy, stem cell research, gene therapy and precision medicine. Beijing Yongtai's total capital commitment in the Industry Fund as a limited partner to the Industry Fund is RMB50 million. As all of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules with reference to the total capital commitment to the Industry Fund by Beijing Yongtai was then less than 5%, such transaction did not constitute a notifiable transaction under Chapter 14 of the Listing Rules. The capital commitment amount of RMB50 million accounted for less than 5% of the Group's total assets as at 31 December 2021.

Management Discussion and Analysis

Details of the establishment of and investment in the Industry Fund are set out in the voluntary announcement of the Company dated 24 February 2021.

As at 31 December 2021, fair value of the Company's portion in the Industry Fund amounted to approximately RMB51.5 million, which represented approximately 4.7% of the total assets of the Group.

Construction agreement in relation to the construction of the new biological drug R&D and industrialisation base in Beijing, the PRC

On 26 March 2021, we entered into a construction agreement (the "**Construction Agreement**") with China Construction Third Engineering Bureau Group Co. Ltd (中建三局集團有限公司) ("**CCTEB**") in relation to the construction of the R&D and industrialisation base (the "**R&D and Industrialisation Base**") located in the Beijing Economic and Technological Development Zone in Beijing, the PRC. The total contract sum payable to CCTEB under the Construction Agreement is RMB664,999,999.33. To cater for and for the purposes of preparing the commercialisation of our core product candidate and other product candidates, the construction of the R&D and Industrialisation Base will allow us to carry out the necessary R&D work, testing and quality assurance produces. The construction of the R&D and Industrialisation Based commenced on 17 June 2021.

The R&D and Industrialisation Base is expected to include buildings for cell therapy and other production workshops and quality inspection use, which will allow the Group to carry out necessary research and development work, testing and quality assurance procedures for purposes of the commercialisation of the Group's core product candidate, namely EAL®, and other product candidates.

Details of the Construction Agreement are set out in the announcements of the Company dated 29 March 2021, 22 April 2021, 12 May 2021, 21 May 2021 and 17 June 2021, and the circular dated 26 May 2021.

Save as disclosed and as at the date of this report, there were no significant investments held by the Group or future plans regarding significant investment or capital assets. For the year ended 31 December 2021, we did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

Management Discussion and Analysis

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2021, we had a total of 509 employees in the PRC and six employees in the Republic of Korea.

The following table sets forth the number of our employees for each function as at 31 December 2021:

Function	Number of Employees
General management and administration	52
Research and development	49
Senior management	16
Product and technology R&D	64
Production, purification, equipment and safety	132
Quality	137
Clinical support and business development	65
Total	515

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

We place strong emphasis on providing training to our employees in order to enhance their technical and product knowledge. We design and offer different training programmes for our employees in various positions.

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

FOREIGN EXCHANGE

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

Management Discussion and Analysis

SELECTED FINANCIAL RATIO

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

	For the year ended 31 December	
	2021	2020
Current ratio[1]	**2.29**	27.95
Quick ratio[2]	**2.23**	27.83
Gearing ratio	**–**	–

Notes:

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

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

(3) Gearing ratio equals total borrowings divided by total equity as at the end of the period. As at 31 December 2020 and 31 December 2021, the Group had no borrowings and the gearing ratio is not applicable.

Our current ratio decreased from 27.95 as at 31 December 2020 to 2.29 as at 31 December 2021 and our quick ratio decreased from 27.83 as at 31 December 2020 to 2.23 as at 31 December 2021 because of the application of net proceeds from Listing to the research and fixed assets investment..

Directors and Senior Management

DIRECTORS

Executive Directors

Mr Tan Zheng (譚錚), aged 44, was first appointed as a Director in April 2018, and was re-designated as an executive Director and the Chairman in August 2019. He is mainly responsible for overall strategic planning and business direction of our Group. Mr Tan is currently pursuing an executive master in business administration from United Business Institutes China. Through working with various pharmaceutical companies, Mr Tan has accumulated over 20 years of experience in leading commercialisation efforts or marketing and sales within the PRC Pharmaceutical industry. From June 1998 to June 2004, he worked at Shaanxi Buchang Pharmaceutical Co., Ltd. (陝西步長製藥有限公司), a PRC company listed on the Shanghai Stock Exchange, principally engaged in the development and manufacturing of medical drugs, where his last position was an office supervisor at their Tianjin office. From June 2004 to January 2013, Mr Tan served as an office supervisor at the Beijing office of Shaanxi Kanghui Pharmaceutical Co., Ltd (陝西康惠控股有限公司), principally engaged in the research, development and production of pharmaceuticals products. Between January 2013 and August 2015, Mr Tan worked at Wuhan Heer Medical Technology Development Co., Ltd.* (武漢呵爾醫療科技發展有限公司), a PRC company engaged in, among other things, the development and manufacture of cancer screening and analysis systems, first as an office supervisor at the Beijing office and subsequently as a deputy general manager, where he was responsible for sales, supervision and management of daily matters. Mr Tan has been a director of JY Research, the offshore intermediate holding company of our PRC subsidiaries; Hamiyang, the holding company of JY Research; and the chairman of AK Ruike, an indirect wholly-owned subsidiary of our Company, since their respective incorporation. He became the director of Beijing Yongtai, one of our major PRC subsidiaries, in September 2015.

Dr Wang Yu (王歟), aged 54, is an executive Director and the CEO and CTO of our Group. As an executive Director, she works with other members of our Board to oversee our overall operations, set our corporate policies, and develop our business. Also, as our CEO, Dr Wang is responsible for (i) formulating our R&D plans and strategies, including the overall visions and directions for our R&D of EAL and R&D of CAR-T and TCR-T; and (ii) managing our day-to-day operation. As our CTO, Dr Wang is responsible for (i) supervising the clinical R&D activities in respect of liver cancer indication for EAL®; (ii) managing the R&D efforts to expand the clinical indications for EAL®; and (iii) together with Dr Zhang, our chief scientist, leading our R&D team in exploring and developing CAR-T and TCR-T related therapies and product candidates. Dr Wang received a bachelor's degree of science in pharmaceutical chemistry and a master's degree of science in physiology from Beijing Medical University (now known as Peking University Health Science Centre (北京大學醫學部)) in the PRC in July 1989 and November 1992, respectively. Dr Wang obtained a Ph.D. in immunology from Peking University (北京大學), the PRC, in July 2002. Dr Wang has over 25 years of experience in medical research. After graduating from the Beijing Medical University in 1992, Dr Wang worked as a researcher with a number of research institutions in China and abroad, including Beijing Medical University, Georgetown University, Peking University Health Science Centre, and Beijing Cancer Hospital (北京腫瘤醫院) affiliated with Peking University. She joined Beijing Yongtai in November 2006 as its director, CEO and CTO. From December 2003 to November 2006, she was also a deputy director of the Cancer Biological Therapy and Diagnosis Centre in Beijing Cancer Hospital (北京腫瘤醫院). From September 2014 to December 2018, Dr Wang

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

Mr Jung Hyun Chul (鄭鉉哲), aged 59, is as an executive Director and the chief strategy officer of our Group. He is mainly responsible for the overall resources allocation, commercialisation planning and providing support to our R&D team. As our chief strategy officer, Mr Jung is responsible for (i) strategising and facilitating our overall resource allocation; (ii) advising on our business development and commercialisation plans and strategies, especially for our R&D of EAL; and (iii) providing support, including introducing oversea suppliers, to our R&D team. Mr Jung received a bachelor's degree in operational management and a master's degree in business administration from Yonsei University, Korea in February 1985 and February 1987, respectively. Prior to joining our Group, from November 1988 to July 1989, Mr Jung served at S-oil Corporation) (stock code: 010950), a company listed on Korea Stock Exchange, principally engaged in producing petroleum, petrochemical, and lubricant products. Between November 1991 and April 1995, he served at Korea Industry Securities Co., Ltd* (韓國產業證券有限公司), a company principally engaged in securities trading and investments, where he was responsible for analysing chemical industry and producing reports on it. Mr Jung joined Beijing Yongtai, one of our major PRC subsidiaries, in November 2006 as its director and since then, has been focusing on the business development and strategic aspects of our business. Mr Jung served as the chief executive director and director at Pharos Vaccine, a company based in the Republic of Korea whose principal business is R&D of cell therapy products in the Republic of Korea from April 2011 until his resignation in March 2019 with a view to focusing more on our business as our chief strategy officer and executive Director. He is also the founder, director and general manager of Beijing Sainuotai, a company incorporated in the PRC that provides consultation services on lymphocyte biosynthesis technology.

Directors and Senior Management

NON-EXECUTIVE DIRECTORS

Mr Si Xiaobing (司小兵), aged 41, was appointed as a non-executive Director in August 2019. Mr Si received a bachelor of science degree in acupuncture and massage therapy from Shanxi University of Chinese Medicine (山西中醫藥大學), the PRC in July 2003 and a master of science degree in acupuncture and massage therapy from Gansu University of Chinese Medicine (甘肅中醫藥大學), the PRC in July 2007. Mr Si has taken up managerial roles in various enterprises prior to joining our Group. Mr Si joined our Group in March 2018 as a manager assistant. Prior to joining our Group, from February 2009 to January 2012, Mr Si was an engineer at Tianjin Boai NKY Internationals Ltd (天津博愛新開源國際貿易有限公司), where he was responsible for the R&D of new pharmaceutical products. From February 2012 to January 2013, he was a manager assistant at Beijing Zhong Sheng Bang New Materials Research Institute Co., Ltd* (北京中盛邦新材料研究院有限公司), a company primarily engaged in materials technology research. From January 2014 to November 2016, Mr Si was a project manager at Peking University V-Ming (Shanghai) Investment Holdings Co., Ltd (北大未名（上海）投資控股有限公司), a PRC company principally engaged in properties investment and equity funds. From April 2017 to March 2018, he was a manager of the marketing department at Beijing Huanuo Aomei Gene Biotechnology Co., Ltd* (北京華諾奧美基因生物科技有限公司), a PRC service provider in the life science and clinical medicine industries.

Mr Lu Yuan (陸遠), aged 32, was appointed as our non-executive Director in August 2019. Mr Lu graduated with an associate degree in electromechanics from Shenyang Aerospace University (瀋陽航空航天大學) the PRC, by way of distant learning, in July 2011. From March 2008 to March 2018, he was a supervisor at Beijing Jiamo Economic and Cultural Development Co., Ltd* (北京佳矩經濟文化發展有限責任公司), a PRC company principally engaged in organising cultural exchange activities and events in the PRC, where he was responsible for the management of the marketing department of the company. From May 2019 to August 2019, Mr Lu was a supervisor at China MoH Ltd* (摩氫科技有限公司), a company engaged in providing clean electricity in the PRC, where he was responsible for supervising the management of the company.

Mr Tao Ran (陶然), aged 56, was appointed as a non-executive Director in August 2021, was appointed as the vice president of CR Pharma in June 2021 and appointed as executive Director in September 2021. He is concurrently a director of China Resources Jiangzhong pharmaceutical Group Co., Ltd., a director of China Resources Zizhu Pharmaceutical Co., Ltd, a director of China Resources Pharmaceutical Commercial Group Company Limited, a chairman of the supervisory board of China Resources Sanjiu Medical & Pharmaceutical Company Limited (華潤三九醫藥股份有限公司), a supervisor of China Resources Double-Crane Pharmaceutical Company Limited (華潤雙鶴藥業股份有限公司) and a chairman of the supervisory board of Dong-E-E-Jiao Company Limited (東阿阿膠股份有限公司). Mr Tao was appointed as the chairman and director of China Resources Boya Bio-pharmaceutical Group Co. Ltd. (華潤博雅生物製藥集團股份有限公司) (the shares of which are listed on the Shenzhen Stock Exchange, Stock Code: 300294) in December 2021. Mr Tao has been a deputy chief of Import Division I of China Resources National Corporation (currently known as China Resources Company Limited), a senior manager of Investment Division and a deputy general manager of China Resources Textiles (Holdings) Co., Ltd. and a senior director of Strategic Development Division and the general manager of Strategic Development Division of CR Pharmaceutical. Mr Tao holds a bachelor's degree in Engineering awarded by Shanghai Jiao Tong University, China and a master's degree in Economics awarded by Beihang University, China.

Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Professor Wang Yingdian (王英典), aged 60, was appointed as an independent non-executive Director in June 2020 and taking effect from 29 June 2020. He is mainly responsible for providing independent opinion and judgment to our Board. Professor Wang obtained a bachelor's degree in biology and a master's degree in physiology of plants in Northeast Normal University (東北師範大學) in the PRC in July 1983 and July 1988, respectively. In March 1997, he received a Ph.D. in crop production from Iwate University in Japan. Professor Wang has over 20 years of experience in academia with a research focus on development biology and biotechnology. Professor Wang has been a distinguished professor of College of Life Sciences at Beijing Normal University (北京師範大學) since September 2002 and was an independent non-executive director of Beijing Beilu Pharmaceuticals Company (北京北陸藥業股份有限公司) (stock code: 300016), a China-based company listed on Shanghai Stock Exchange, principally engaged in the research, development, production and distribution of pharmaceutical product since June 2019.

Mr Ng Chi Kit (吳智傑), aged 48, was appointed as an independent non-executive Director in June 2020 and taking effect from 29 June 2020. He is mainly responsible for providing independent opinion and judgment to our Board. Mr Ng obtained a bachelor of arts in accountancy in Hong Kong Polytechnic University in November 1997. He has been a member of the Hong Kong Institute of Certified Public Accountants since January 2003 and a fellow member of the Association Chartered Certified Accountants since June 2006. Mr Ng has over 20 years of experience in accounting and audit. He worked at Nelson Wheeler from August 1997 to February 2000. He joined Nelson Wheeler as an audit intermediate and was promoted to audit semi-senior in August 1998. From March 2000 to November 2009, He worked at the assurance and advisory business services department in Ernst & Young where he initially served as a staff accountant, and was promoted to senior accountant in October 2001. He was later promoted to senior manager in October 2006. Mr Ng has been serving as an independent non-executive director and a member of the audit committee of Chaowei Power Holdings Limited, a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 951) and principally engaged in the manufacture and sale of lead-acid motive batteries, lithium-ion batteries and other related products, since December 2010. He has been the chief financial officer and company secretary of Suchuang Gas Corporation Limited, a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 1430) and principally engaged in the distribution and sale of piped natural gas, provision of natural gas transaction and construction and installation of gas pipelines in the PRC, since December 2013. He has been an independent non-executive director and a member of the audit committee of Great Wall Motor Company Limited, a company listed on Main Board of the Hong Kong Stock Exchange (stock code: 2333) and principally engaged in the manufacture and sale of pick-up trucks and sport-utility vehicles in China, since May 2017.

Directors and Senior Management

Ms Peng Sujiu (彭素玖), aged 43, was appointed as an independent non-executive Director in June 2020 and taking effect from 29 June 2020. She is mainly responsible for providing independent opinion and judgement to our Board. Ms Peng obtained a bachelor's degree in accounting from University of South China (南華大學) in the PRC in June 2002. She obtained a medium level accountant certificate from the Shanghai Human Resources and Social Security Bureau in the PRC in August 2010. She then became a registered member of the Chinese Institute of Certified Public Accountants in February 2019. Ms Peng has over 5 years of experience in finance and accounting industry. From July 2002 to December 2005, she was a cashier at the Shanghai headquarter of Shanghai Shanxing Economic &Trading Co., Ltd (上海山興經貿有限公司), a company that sells steel coils, cold rolled plates, hot rolled plates and other related products. From April 2012 to December 2013, she was a financial manager at Shanghai Pinrui Medical Equipment Co., Ltd* (上海品瑞醫療器械設備有限公司), a PRC company principally engaged in manufacturing and developing high-tech dental equipment, where she was responsible for financial management of the company. From January 2014 to April 2016, she served as a financial manager for Shanghai JL&C Furniture Co., Ltd* (上海捷隆傢俱有限責任公司), a company engaged in household furniture manufacturing, where she was responsible for budget control and approval. Since July 2016, she has been working as a financial director of Shanghai Jianchu Medical Instrument Co., Ltd.* (上海建儲醫療器械有限公司), a company engaged in the sale of medical reagents and medical instruments, where she was responsible for overseeing the accounting and financial reporting functions of the company.

SENIOR MANAGEMENT

Mr Yang Ning (楊寧), aged 40, is the chief financial officer and company secretary of our Group and he is responsible for overseeing the corporate finance, financial reporting, compliance and company secretarial matters of our Group. Mr Yang was awarded dual bachelor's degrees in art and economics from Peking University (北京大學) in the PRC in July 2003. He also obtained a master's degree of commerce from The University of Queensland, Australia in December 2005. He has been a member of CPA Australia since March 2010 and a member of the Chinese Institute of Certified Public Accountants since June 2016. Mr Yang has over 10 years of experience in accounting and finance. Mr Yang worked as an auditor at Ernst & Young Hua Ming LLP from December 2006 to December 2010, where his last position was a senior auditor. From December 2010 to April 2017, he worked at Deloitte Touche Tohmatsu Certified Public Accountants LLP, Beijing Branch, where his last position was senior manager at the audit and assurance department. From February 2016 to February 2017, he was assigned by Deloitte Touche Tohmatsu to act as an advisory assistant at China Securities Regulatory Commission, where he was responsible for the analysis and review of annual reports, improving the information disclosure regime, and providing professional support for the regulation of the accounting profession. From April 2017 to March 2019, Mr Yang was a director and the secretary of the board of directors of Puritek Co. Ltd* (博瑞德環境集團股份有限公司), a PRC company specialising in technology research and development in the field of sewage treatment and environment protection.

Directors and Senior Management

Mr Zhang Jian (張鍵), aged 51, is the senior vice president of our Group, and he is responsible for managing the clinical trials, medical services, daily management and sales network. Mr Zhang has more than 20 years of experience in the pharmaceutical industry. From 1995 to 1998, he was a Sales Manager at the Tianjian Office of Shaanxi Buchang Pharmaceutical Co., Ltd. (陝西步長製藥有限公司), a PRC pharmaceutical company that develops and produces medical drugs. From 1998 to 2005, he worked at Jinfang Pharmaceutical Company (西安高科陝西金方藥業公司), a PRC pharmaceutical company that engages in research, development and sales of drugs, his last position was a regional marketing general manager of the Northern China region. From 2005 to January 2016, he worked as a general manager at Xi'an Xingye Pharmaceutical Co., Ltd* (西安興業醫藥有限公司), a company primarily engaged in wholesale of drugs. From August 2013 to January 2016, Mr Zhang was a general manager for Xi'an Shangwo Medical Technology Co. Ltd* (西安尚沃醫療科技有限公司) a company engaged in, among other things, sales and technology research of medical device, while he was working at Xi'an Xingye Pharmaceutical Co., Ltd* (西安興業醫藥 有限公司), a PRC pharmaceutical company that engages in the sale of Chinese medicines, antibiotics and biochemicals. From February 2016 to February 2018, he worked as a general manager at Wuhan Heer Medical Technology Development Co., Ltd.* (武漢呵爾醫療科技發展有限公司), a PRC company engaged in the development and manufacture of cancer screening and analysis systems.

Mr Zhang Yu (張毓), aged 58, is the chief scientist of our Group and he is responsible for leading the China R&D team. In July 1984, Dr Zhang obtained a bachelor degree from the medical faculty of the Fourth Military Medical University (第四軍醫大學) (now known as Air Force Medical University (空軍軍醫大學)), the PRC. He also obtained a master's degree in immunology from The Second Military Medical University (第二軍醫大學), the PRC in July 1987 and a Ph.D. in medical biophysics from University of Toronto, Canada in October 1997. Dr Zhang has around 15 years of experience in the medical field, specialising in lymphocyte development and tumour immunity studies. During his scientific research career, Dr Zhang has authored a number of scientific publications in journals including Frontiers in Immunology, The Journal of Immunology, Oncogene, and Scientific Reports. From October 2004 to September 2009, he worked at the immunology department of Peking University Health Science Center (北京大學醫學部) as a professor. He became the head of immunology department of Peking University Health Science Center in September 2009 and then became the assistant dean of the School of Basic Medical Sciences of Peking University (北京大學基礎醫學院) in May 2013.

COMPANY SECRETARY

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

Report of Directors

The Directors are pleased to present this annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2021.

DIRECTORS

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

Executive Directors:

Mr Tan Zheng *(Chairman)*
Dr Wang Yu *(CEO)*
Mr Jung Hyun Chul

Non-executive Directors:

Mr Si Xiaobing
Mr Lu Yuan
Mr Li Yuezhong *(resigned on 23 August 2021)*
Mr Tao Ran *(appointed on 23 August 2021)*

Independent Non-executive Directors:

Professor Wang Yingdian
Mr Ng Chi Kit
Ms Peng Sujiu

Biographical details of the current Directors are set out in the section headed "Directors and Senior Management" on pages 26 to 31 of this report.

PRINCIPAL ACTIVITIES

The Group is a leading cellular immunotherapy biopharmaceutical company in China focusing on the research, development, and commercialisation of T cell immunotherapy for over 15 years. Since its establishment in 2006, it has focused on R&D and clinical applications of cellular immunotherapy drugs for cancers and other major diseases, by applying advanced theories in immunology, cell biology, and genetics.

BUSINESS REVIEW

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

Relationship with Employees and Suppliers

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

Report of Directors

PRINCIPAL RISKS AND UNCERTAINTIES

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

Risks relating to our business and industry

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

Report of Directors

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

Risks relating to intellectual property rights

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

Report of Directors

Risks relating to our operations

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

Risks relating to doing business in China

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

Report of Directors

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

Risks relating to the contractual arrangements

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

DIVIDENDS

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

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and the senior management of the Company are set in the "Directors and Senior Management" on pages 26 to 31 of this report.

Report of Directors

FINANCIAL SUMMARY

A summary of the audited consolidated results and the assets and liabilities of the Group for the last three financial years, as extracted from the audited consolidated financial statements, is set out on pages 75 to 76 of this report. This summary does not form part of the audited consolidated financial statements.

DIRECTOR'S SERVICE CONTRACTS

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

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

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

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

REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

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

EMOLUMENT POLICY

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

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, as compensation for loss of office. Details of the Directors' remuneration, senior management and the five highest paid individuals of the Group are set out in notes 12, 13 and 35 to the consolidated financial statements in this report.

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

Report of Directors

FUNDING AND TREASURY POLICY

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

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACT OF SIGNIFICANCE

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

DIRECTORS' MATERIAL INTERESTS IN SIGNIFICANT TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

DIRECTOR'S INTEREST IN COMPETING BUSINESS

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

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

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

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

Report of Directors

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

As at the date of this report, the interests and short positions of the Directors of and chief executives of the Company in the ordinary Shares, underlying Shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, are set out as follows:

(i) Interest in Shares and underlying Shares

Name of Director	Capacity/Nature of Interest	Number of Shares held[1]	Approximate percentage of shareholding in the Company
Mr Tan Zheng[2]	Beneficial interest	5,000,000 (L)	0.97%
	Interest in controlled corporation	180,480,000 (L)	35.07%
Mr Jung Hyun Chul[3]	Interest in controlled corporation	134,948,571 (L)	26.22%
Dr Wang Yu[4]	Beneficial interest	23,450,000 (L)	4.56%

Notes:

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

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

Pursuant to the Proxy Arrangement, the Passive Minority Shareholders have irrevocably entrusted their voting rights at any general meeting of the Company to Tan Zheng Ltd, such that it may exercise such voting rights with absolute discretion and hence it is deemed to be interested in the Shares held by the Passive Minority Shareholder. Among the 185,480,000 Shares held by Tan Zheng Ltd, 155,794,286 Shares were entrusted by the Passive Minority Shareholders pursuant to the Proxy Arrangement. Tan Zheng Ltd is a company wholly-owned by Mr Tan Zheng. Accordingly, Mr Tan Zheng is deemed to be interested in the 180,480,000 Shares held/deemed to be interested in by Tan Zheng Ltd.

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

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

Report of Directors

(ii) Interest in associated corporations

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

Note:

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

Save as disclosed above, as at the date of this report, none of the Directors or chief executives of the Company had any interests or short positions in the Shares or underlying Shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

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

Name of Shareholder	Nature of Interest	Number of Shares held[1]	Approximate percentage of shareholding
Tan Zheng Ltd[2]	Beneficial interest	24,685,714 (L)	4.80%
	Interest of a party to an agreement	155,794,286 (L)	30.28%
Evodevo Ltd	Beneficial interest	134,948,571 (L)	26.22%
China Resources Pharmaceutical Group Limited[3]	Interested in controlled corporation	51,458,400 (L)	10.00%
Beijing Pharmaceutical Investment and Management (BVI) Limited[3]	Beneficial interest	51,458,400 (L)	10.00%

Report of Directors

Name of Shareholder	Nature of Interest	Number of Shares held[1]	Approximate percentage of shareholding
Greater Bay Area Homeland Development Fund (GP) Limited[4]	Interested in controlled corporation	34,558,619 (L)	6.72%
Greater Bay Area Homeland Development Fund LP[4]	Interested in controlled corporation	34,558,619 (L)	6.72%
Poly Platinum[4]	Beneficial interest	34,558,619 (L)	6.72%
Tan Xiaoyang[5]	Other/Interest of spouse	59,794,286 (L)	11.62%
Tan Xiao Yang Ltd[5]	Other	46,080,000 (L)	8.95%
Tan Yueyue[5]	Interested in controlled corporation/Interest of spouse	59,794,286 (L)	11.62%
Zhang Junzheng[6]	Other/Interest of spouse	44,875,714 (L)	8.72%
Zhang Jun Zheng Ltd[6]	Other	41,691,428 (L)	8.10%
Wang Minhui[6]	Interested in controlled corporation/Interest of spouse	44,875,714 (L)	8.72%

Notes:

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

(2) Pursuant to a proxy agreement dated 29 August 2019 (the "**Proxy Agreement**"), the passive minority shareholders interested in 155,794,286 Shares in aggregate have irrevocably entrusted their voting rights at any general meeting of the Company to Tan Zheng Ltd, such that it may exercise such voting rights with absolute discretion and hence it is deemed to be interested in the Shares held by the passive minority shareholders.

(3) Beijing Pharmaceutical Investment and Management (BVI) Limited is a company wholly-owned by China Resources Pharmaceutical Group Limited, China Resources Pharmaceutical Group Limited is deemed to be interested in the Shares held by Beijing Pharmaceutical Investment and Management (BVI) Limited.

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

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

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

(6) These 44,875,714 Shares comprises 41,691,428 Shares held by Zhang Jun Zheng Ltd and 3,184,286 Shares held by a company controlled by Ms Wang Minhui. Zhang Jun Zheng Ltd is a company wholly-owned by Mr Zhang Junzheng, who is deemed to be interested in the Shares held by Zhang Jun Zheng Ltd. Ms Wang Minhui is the spouse of Mr Zhang Junzheng.

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

Report of Directors

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

SHARE OPTION SCHEME

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

Pre-IPO Share Option Scheme

Purpose

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

Who May Join

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

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

Maximum Number of Shares

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

Report of Directors

Time of Acceptance and Exercise of Option

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

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

Subscription Price for Shares and Consideration for the Option

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

Period of the Pre-IPO Share Option Scheme

The share options granted will vest in multiple tranches in same or different proportions as determined by our Directors. All share options under the Pre-IPO Share Option Scheme will be expired after 7 years since the grant date.

Option Granted

The summary of the share options granted under the Pre-IPO Share Option Schemes that were still outstanding as at date of this report is as follows:

Name of the grantee	No. of share options outstanding as at the 31 December 2020	No. of share options granted during the Reporting Period and up to 31 December 2021	No. of share options exercised during the Reporting Period and up to 31 December 2021	No. of share options cancelled during the Reporting Period and up to 31 December 2021	No. of share options lapsed during the Reporting Period and up to 31 December 2021	No. of share options outstanding as at 31 December 2021
Tan Zheng *Chairman and executive Director*	5,000,000	–	–	–	–	5,000,000
Wang Yu *Executive Director, CEO and CTO*	23,450,000	–	–	–	–	23,450,000
Employees (in aggregate)	8,800,000	–	–	(1,200,000)	–	7,600,000
Total	**37,250,000**	**–**	**–**	**(1,200,000)**	**–**	**36,050,000**

Report of Directors

Details regarding the number of options, date of grant, vesting period, exercise period and exercise price of the share options granted under the Pre-IPO Share Option Scheme that were still outstanding as at the date of this report are set out below:

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

Notes:

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

As at the date of this report, the total number of share available for issue under the Share Option Scheme is 36,050,000 Shares, representing approximately 7.01% of the total issued shares of the Company.

Post-IPO Share Option Scheme

Purpose

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

Report of Directors

Who May Join

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

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

Maximum Number of Shares

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

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

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

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

Report of Directors

Maximum Entitlement of Each Participant

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

Granting Options to Connected Persons

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

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

Time of Acceptance and Exercise of Option

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

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

Performance Targets

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

Subscription Price

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

Period of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme will remain in force for a maximum period of 10 years commencing on the date on which the Post-IPO Share Option Scheme is adopted.

Option Granted

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

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

For the year ended 31 December 2021, we did not generate any revenue from product sales and the percentage of the total sales attributable to the Group's customer was nil. Our other income primarily represented (1) income received from provision of cell cryopreservation services; (2) interest income on bank deposits; (3) interest income from lease deposits; (4) government grants.

Report of Directors

Major Suppliers

Our major suppliers primarily include (i) suppliers of our equipment and raw materials; and (ii) CROs, SMOs, and other R&D and quality evaluation service providers which we engaged to conduct clinical and pre-clinical studies on our product candidates. For the year ended 31 December 2021, purchases from the Group's five largest supplier for the year accounted for approximately 48.0% (2020: 67.2%) of the Group's total purchase amount in the same year. The Group's largest supplier for the year ended 31 December 2021 accounted for approximately 15.8% (2020: 29.1%) of the Group's total purchase amount for the same year.

PRE-EMPTIVE RIGHTS

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

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 36 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

TAX RELIEF AND EXEMPTION

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

DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group and of the Company during the Reporting Period are set out in the consolidated statement of changes in equity and note 38 to the consolidated financial statements in this report.

As at 31 December 2021, the Company had distributable reserves for share premium of RMB1,402,498,000 (2020: RMB1,402,498,000).

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the year ended 31 December 2021.

The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the year ended 31 December 2021.

Report of Directors

CONNECTED TRANSACTIONS

During the Reporting Period, no related party transactions disclosed in note 35 to the financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules. The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the continuing connected transactions entered into by the Group during the year.

Continuing Connected Transaction

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

Non-exempt Continuing Connected Transactions

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

Contractual Arrangements

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

REASONS FOR THE CONTRACTUAL ARRANGEMENT

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

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

Report of Directors

Risks relating to the Contractual Arrangements

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

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

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

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

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

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

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

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

Summary of Major Terms of the Contractual Arrangements

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

Exclusive Option and Equity Entrustment Agreement

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

Report of Directors

Exclusive Business Cooperation Agreement

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

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

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

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

Share Pledge Agreement

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

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

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

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

Report of Directors

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

Powers of Attorney

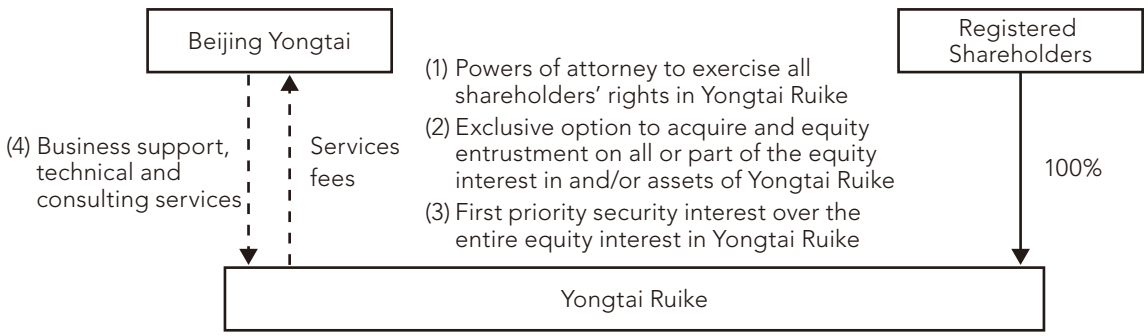
Beijing Yongtai and the Registered Shareholders entered into an irrevocable power of attorney on 10 September 2018 (the "**Powers of Attorney**"), pursuant to which the Registered Shareholders appointed Beijing Yongtai and/or its designated persons as their exclusive agent and attorney to act on their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

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

Spousal Undertakings

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

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



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

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

Report of Directors

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

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

Notes:

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

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

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

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

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

Mitigation Actions taken by the Company

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

Listing Rule Implications

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

Waiver from the Stock Exchange

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

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

b) no change without independent shareholders' approval;

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

Report of Directors

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

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

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

Confirmation from Independent Non-executive Directors

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

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

Deloitte Touche Tohmatsu, the Company's independent Auditor, was engaged to carry out procedures on the Group's continuing connected transactions in connection with the Share Pledge Agreement and the Exclusive Business Corporation Agreement for the year ended 31 December 2021 in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Since no continuing connected transactions has taken place during the year ended 31 December 2021, accordingly, Deloitte Touche Tohmatsu has not performed the procedures described in the Main Board Listing Rule 14A.56 with respect to the continuing connected transactions in connection with the Share Pledge Agreement and the Exclusive Business Corporation Agreement for the year ended 31 December 2021, and Deloitte Touche Tohmatsu stated in its letter that it does not express a conclusion on such continuing connected transactions.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

Report of Directors

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

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 61 to 74 of this report.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

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

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

EVENTS AFTER THE REPORTING PERIOD

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

Report of Directors

USE OF NET PROCEEDS FROM LISTING AND OVER-ALLOTMENT OPTION

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

After deducting the underwriting fees and commissions, other listing expenses and other expenses in connection with the exercise of the initial global offering and the exercise of the over-allotment option, the net proceeds amounted to approximately HK$1,127.8 million. As at the date of this report, the Company used a total of approximately HK$742.0 million of the proceeds, including approximately HK$360.2 million for investment in the ongoing clinical trial and commercialisation of EAL®, approximately HK$228.2 million for investments in CAR-T-19 clinical trial and TCR-T product series candidates and approximately HK$49.3 million for working capital and other general corporate purposes. The Company intends to apply such net proceeds in accordance with the purposes as set out in the Prospectus.

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

Use of Proceeds	**Allocation of the net proceeds from the Global Offering** (HKS million)	**Percentage of total net proceeds** (%)	**Utilised amount (from the Listing date to 31 December 2021)** (HKS million)	**Utilised amount (from 1 January 2021 to 31 December 2021)** (HKS million)	**Unutilised amount (as at the date of this report)** (HKS million)	**Expected timeline of full utilisation of the remaining proceeds from the Global Offering as at 31 December 2021**
For investment in the ongoing clinical trial and commercialisation of EAL®	385.6	34.2	360.2	293.2	25.4	By the end of 2023
For R&D expenditure in connection with expansion of other clinical indications for EAL®	213.2	18.9	43.8	43.8	169.4	By the end of 2025
For investments in CAR-T-19 clinical trial and TCR-T product series candidates	374.5	33.2	228.5	139.8	146.0	By the end of 2025

Report of Directors

Use of Proceeds	Allocation of the net proceeds from the Global Offering (HKS million)	Percentage of total net proceeds (%)	Utilised amount (from the Listing date to 31 December 2021) (HKS million)	Utilised amount (from 1 January 2021 to 31 December 2021) (HKS million)	Unutilised amount (as at the date of this report) (HKS million)	Expected timeline of full utilisation of the remaining proceeds from the Global Offering as at 31 December 2021
Development of other product candidates in the product pipeline including R&D expenditure and the construction costs of new R&D and production centres	98.1	8.7	60.2	44.8	37.9	By the end of 2025
Working capital and other general corporate purposes	56.4	5.0	49.3	24.2	7.1	By the end of 2023
Total	**1,127.8**	**100.0**	**742.0**	**545.8**	**385.8**	

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

PUBLIC FLOAT

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

PERMITTED INDEMNITY PROVISIONS

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

Report of Directors

Incoming substantial shareholder of the Company

On 20 July 2021, we noted from the voluntary announcement made by CR Pharma that it, through its wholly owned subsidiary, has agreed to purchase from certain existing minority shareholders of the Company an aggregate of 51,458,400 Shares (representing 10.0% of the total issued Shares).

CHANGE OF DIRECTOR, JOINT COMPANY SECRETARIES, AUTHORISED REPRESENTATIVE AND COMPOSITION OF THE BOARD COMMITTEE

Mr Li Yuezhong has resigned as the non-executive Director.

Mr Tao Ran has been appointed as the non-executive Director.

Ms Yin Mengyang and Ms Leung Shui Bing have resigned as joint company secretaries of the Company. Mr Yang Ning has been appointed as the sole company secretary of the Company.

Ms Leung Shui Bing has resigned as the authorised representative of the Company as required under Rule 3.05 of the Listing Rules. Mr Yang Ning has been appointed as the authorised representative of the Company as required under Rule 3.05 of the Listing Rules.

Ms Peng Sujiu has resigned as a member of the Audit Committee. Mr Tao Ran has been appointed as a member of the Audit Committee.

All of the above changes took effect on 23 August 2021. Please refer to the announcement of the Company dated 23 August 2021 (the "**Announcement**") for details.

With reference to Mr Li's resignation under the Announcement, we further supplement that Mr Li has resigned as the non-executive Director of the Company due to his other personal commitment. Mr Li has confirmed that he has no disagreement with the Board and there no other matters with respect to this resignation that need to be brought to the attention of the Shareholders.

APPOINTMENT OF MR TAO AS AN EXECUTIVE DIRECTOR AND A MEMBER OF THE EXECUTIVE COMMITTEE OF CR PHARMA

On 7 September 2021, we have been informed by Mr Tao that he has been appointed as an executive director and a member of the executive committee of CR Pharma.

Save as disclosed, so far as the Company is aware, there was no important event affecting the Group which occurred after the end of the Reporting Period up to the date of this report.

Report of Directors

CHANGES IN INFORMATION OF DIRECTORS

Professor Wang Yingdian, aged 60, was appointed as an independent non-executive Director in June 2020 and taking effect from 29 June 2020. He is mainly responsible for providing independent opinion and judgment to our Board. Professor Wang obtained a bachelor's degree in biology and a master's degree in physiology of plants in Northeast Normal University (東北師範大學) in the PRC in July 1983 and July 1988, respectively. In March 1997, he received a Ph.D. in crop production from Iwate University in Japan. Professor Wang has over 20 years of experience in academia with a research focus on development biology and biotechnology. Professor Wang has been a distinguished professor of College of Life Sciences at Beijing Normal University (北京師範大學) since September 2002 and was an independent non – executive director of Beijing Beilu Pharmaceuticals Company (北京北陸藥業股份有限公司) (stock code: 300016), a China-based company listed on Shanghai Stock Exchange, principally engaged in the research, development, production and distribution of pharmaceutical product since June 2019.

Mr Tao Ran, aged 56, was appointed as a non-executive Director in August 2021, was appointed as the vice president of CR Pharma in June 2021 and appointed as executive Director in September 2021. He is concurrently a director of China Resources Jiangzhong Pharmaceutical Group Co., Ltd., a director of China Resources Zizhu Pharmaceutical Co., Ltd, a director of China Resources Pharmaceutical Commercial Group Company Limited, a chairman of the supervisory board of China Resources Sanjiu Medical & Pharmaceutical Company Limited (華潤三九醫藥股份有限公司), a supervisor of China Resources Double-Crane Pharmaceutical Company Limited (華潤雙鶴藥業股份有限公司) and a chairman of the supervisory board of Dong-E-E-Jiao Company Limited (東阿阿膠股份有限公司). Mr Tao was appointed as the chairman and director of China Resources Boya Bio-pharmaceutical Group Co. Ltd. (華潤博雅生物製藥集團股份有限公司) (the shares of which are listed on the Shenzhen Stock Exchange, Stock Code: 300294) in December 2021. Mr Tao has been a deputy chief of Import Division I of China Resources National Corporation (currently known as China Resources Company Limited), a senior manager of Investment Division and a deputy general manager of China Resources Textiles (Holdings) Co., Ltd. and a senior director of Strategic Development Division and the general manager of Strategic Development Division of CR Pharmaceutical. Mr Tao holds a bachelor's degree in Engineering awarded by Shanghai Jiao Tong University, China and a master's degree in Economics awarded by Beihang University, China.

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

ANNUAL GENERAL MEETING

The AGM of the Company will be held on Friday, 20 May 2022. A notice convening the AGM and all other relevant documents will be published and dispatched to the Shareholders of the Company in the manner required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the members' eligibility to attend and vote at the AGM, the Company's register of members will be closed from Tuesday, 17 May 2022 to Friday, 20 May 2022, both dates inclusive, during which period no transfer of share will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of Share shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Monday, 16 May 2022.

Report of Directors

AUDIT COMMITTEE

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

AUDITOR

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

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

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

By report of
the Board of Directors
Tan Zheng
Chairman

Corporate Governance Report

The Board is pleased to present the corporate governance report for the Company for the year ended 31 December 2021.

CORPORATE GOVERNANCE PRACTICES

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

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

The Board is of the view that the Company has complied with the applicable code provisions as set out in the CG Code for the year ended 31 December 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made to each Director and all Directors have confirmed that they have complied with the applicable standards set out in the Model Code throughout the year ended 31 December 2021. No incident of non-compliance of the Model Code by the employees was noted by the Company as at the date of this report.

BOARD OF DIRECTORS

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

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

The composition of the Board is as follows:

Executive Directors

Mr Tan Zheng *(Chairman)*
Dr Wang Yu *(CEO)*
Mr Jung Hyun Chul

Non-executive Directors

Mr Si Xiaobing
Mr Lu Yuan
Mr Tao Ran[(1)]
Mr Li Yuezhong[(2)]

Corporate Governance Report

Independent Non-executive Directors

Professor Wang Yingdian
Mr Ng Chi Kit
Ms Peng Sujiu

Notes:

(1) Mr Tao Ran was appointed as the non-executive Director of the Company with effect from 23 August 2021

(2) Mr Li Yuezhong resigned as the non-executive Director of the Company with effect from 23 August 2021

Biographical details of the current Directors are set out in the section headed "Directors and Senior Management" on pages 26 to 31 of this report.

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

GENERAL MEETINGS, BOARD MEETINGS AND DIRECTORS' ATTENDANCE RECORDS

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

During the year ended December 31, 2021, the Company held four Board meetings and one general meeting. Attendance records of the Directors at Board meetings and general meetings are set out in the table below:

Name of Directors	Board Meetings Attended/ Held as of 31 December 2021	General Meetings Attended/ Held as of 31 December 2021
Executive Directors		
Mr Tan Zheng *(Chairman)*	4/4	1/1
Dr Wang Yu *(CEO)*	4/4	1/1
Mr Jung Hyun Chul	4/4	1/1
Non-executive Directors		
Mr Si Xiaobing	4/4	1/1
Mr Lu Yuan	4/4	1/1
Mr Tao Ran[(1)]	3/4	–
Mr Li Yuezhong[(2)]	1/4	1/1
Independent Non-executive Directors		
Professor Wang Yingdian	4/4	1/1
Mr Ng Chi Kit	4/4	1/1
Ms Peng Sujiu	4/4	1/1

Corporate Governance Report

Notes:

(1) Mr Tao Ran was appointed as the non-executive Director of the Company with effect from 23 August 2021

(2) Mr Li Yuezhong resigned as the non-executive Director of the Company with effect from 23 August 2021

CHAIRMAN AND CEO

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the Reporting Period, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing not less than one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

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

Corporate Governance Report

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

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

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

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

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

BOARD COMMITTEES

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

Corporate Governance Report

AUDIT COMMITTEE

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

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

The primary duties of the Audit Committee are to provide the Directors with an independent review of the effectiveness of the financial reporting process, internal control and risk management system of the Group, to oversee the audit process and to perform other duties and responsibilities as assigned by the Directors. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2021 and has met with the independent Auditor, Deloitte Touche Tohmatsu, Certified Public Accountants. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company.

During the year ended 31 December 2021, the Audit Committee has convened two meetings, during which the Audit Committee has performed the following major works:

– reviewed the annual results announcement and the annual report of the Group for the year ended 31 December 2020;

– reviewed the interim results announcement and the interim report of the Group for the six months ended 30 June 2021;

– reviewed and approved the drafted audited consolidated financial statements of the Group and the reports of the Directors and independent Auditor of the Company for the Reporting Period, and recommended to the Board for approval;

– approved Deloitte Touche Tohmatsu's audit fee for the year ended 31 December 2020 and recommended it to the Board for consideration;

– considered the re-appointment of Deloitte Touche Tohmatsu as independent Auditor of the Company for the financial statements of the Group for the year ended 31 December 2021, and recommended to the Board for shareholders' approval; and

– reviewed the effectiveness of the financial reporting system, risk management and internal control system of the Company as of 31 December 2021. The Audit Committee considered that the internal review and risk management functions of the Company were reasonable, effective and adequate.

Corporate Governance Report

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

Name of Members of the Audit Committee	Attendance/ Number of Meeting(s)
Professor Wang Yingdian	2/2
Mr Ng Chi Kit	2/2
Ms Peng Sujiu[1]	2/2
Mr Tao Ran[2]	1/1

Notes:

(1) Ms Peng Sujiu resigned as a member of the Audit Committee of the Company with effect from 23 August 2021

(2) Mr Tao Ran was appointed as a member of the Audit Committee of the Company with effect from 23 August 2021

REMUNERATION COMMITTEE

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

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

During the year ended 31 December 2021, the Remuneration Committee has convened two meetings, during which the Remuneration Committee has performed the following major works:

- evaluated and reviewed the performance of Directors and senior management for the year ended 31 December 2021 and made recommendations to the Board on respective remuneration packages for the year ending 31 December 2022;
- remuneration packages of proposed non-executive directors and audit committee members;
- approved the remuneration structure and policies of the Company's executive directors and staff; and
- approved remuneration arrangements for the Chairman and CEO of the Company and made recommendations to the Board.

Corporate Governance Report

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

Name of Members of the Remuneration Committee	Attendance/ Number of Meeting(s)
Professor Wang Yingdian	2/2
Mr Ng Chi Kit	2/2
Ms Peng Sujiu	2/2

Details of the remuneration payable to each Director of the Company for the year ended 31 December 2021 are set out in Note 12 to the financial statements.

Pursuant to code provision E.1.5 of the CG Code, details of the remuneration of the senior management (other than Directors) by bands for the year ended 31 December 2021 is set out below:

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

NOMINATION COMMITTEE

The Company has established the Nomination Committee in compliance with the CG Code. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and management of Board succession. The terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

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

Corporate Governance Report

During the year ended 31 December 2021, the Nomination Committee has convened two meetings, during which the Nomination Committee has performed the following major works:

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

– approved the nominees for the Company's non-executive Directors and members of the Audit Committee;

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

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

– reviewed the board diversity policy of the Company.

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

Name of Members of the Nomination Committee	Attendance/ Number of Meeting(s)
Mr Tan Zheng	2/2
Ms Peng Sujiu	2/2
Professor Wang Yingdian	2/2

BOARD DIVERSITY POLICY

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

The Company is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered. The nomination committee will discuss and agree periodically on the measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption. As of December 31, 2021, two of the Company's nine Board members were women, and the Company will continue to apply the merit-based appointment principle in accordance with our Diversity Policy.

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

Corporate Governance Report

DIRECTOR NOMINATION POLICY

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

The Nomination Committee reviews and evaluates the composition of the Board and the independence of independent non-executive Directors, and recommends the appointment of new Directors of the Company to the Board. In recommending candidates for appointment to the Board, the Nomination Committee will assess candidates' strengths against objective criteria and will consider the benefits and diversity of the Board.

CORPORATE GOVERNANCE FUNCTION

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

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

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

DIVIDEND POLICY

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

Corporate Governance Report

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 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 Auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 114 to 115 of this report.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

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

During the year ended 31 December 2021, Directors' participation in continuous professional development is set out in the table below:

Name of Directors	Participation in Continuous Professional Development
Executive Directors	
Mr Tan Zheng *(Chairman)*	✓
Dr Wang Yu *(CEO)*	✓
Mr Jung Hyun Chul	✓
Non-executive Directors	
Mr Si Xiaobing	✓
Mr Lu Yuan	✓
Mr Tao Ran[(1)]	✓
Mr Li Yuezhong[(2)]	✓
Independent Non-executive Directors	
Professor Wang Yingdian	✓
Mr Ng Chi Kit	✓
Ms Peng Sujiu	✓

Corporate Governance Report

Notes:

(1) Mr Tao Ran was appointed as the non-executive Director of the Company with effect from 23 August 2021

(2) Mr Li Yuezhong resigned as the non-executive Director of the Company with effect from 23 August 2021

AUDITOR'S REMUNERATION

The Company appointed Deloitte Touche Tohmatsu, Certified Public Accountants as the external auditor for the year ended 31 December 2021. A statement by Deloitte Touche Tohmatsu about their reporting responsibilities for the financial statements is included in the Independent Auditor's Report on pages 114 to 115.

Details of the fees paid/payable in respect of the audit and non-audit services provided by Deloitte Touche Tohmatsu for the year ended 31 December 2021 are set out in the table below:

Service Category	Fees Paid/ Payable (RMB'000)
Audit services	1,950
Non-audit services	
– Interim review services	860
– Others	535
Preparation of the environmental, social and governance report of the Company	170
Total	**3,515**

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

Corporate Governance Report

The management of the Company regularly re-examines the internal control policies and procedures and make updates when necessary. Each department of the Company will conduct a self-assessment regularly to ensure proper compliance with the Company's internal control policies. The Company engaged an independent professional company to review the effectiveness of its internal control for the year ended 31 December 2021. The management and relevant responsible departments of the Company have confirmed the investigation results and recommendations, and the management has formulated an action plan to address the problems discovered.

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

The Company has a chief compliance officer in place to establish and improve the Company's compliance management system, legal risk control system and internal supervision system based on the Company's strategy, development plan and actual business development.

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

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

We are committed to continuously improving the risk management and internal control system of the Company. The Board reviews the effectiveness of the Group's risk management and internal control system on an on-going basis or, at least, an annual basis. The Board reviewed the effectiveness of the Company's risk management and internal control system for the year ended 31 December 2021 and confirmed that it is effective and adequate.

JOINT COMPANY SECRETARIES

Ms Yin Mengyan and Ms Leung Shui Bing as the joint company secretaries of the Company during the period from 1 January 2021 to 23 August 2021. On 23 August 2021, Mr Yang Ning was appointed as the sole company secretary of the Company and he is responsible for advising the Board on corporate governance matters and ensuring that Board policy and procedures, and applicable laws, rules and regulations are followed.

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

Corporate Governance Report

SHAREHOLDERS' RIGHTS

Convening an Extraordinary General Meeting

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

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

PUTTING FORWARD PROPOSALS AT GENERAL MEETING

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

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

PUTTING FORWARD ENQUIRIES TO THE BOARD

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

Corporate Governance Report

CONTACT DETAILS

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

Address: 8/F, Block 1, Guosheng Technology Park, No.1 Kangding Street, BDA, Beijing, the PRC
Fax: +86 (10) 8840 0152
Email: IR@eaal.net

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

CHANGES IN CONSTITUTIONAL DOCUMENTS

During the period from 1 January 2021 to 31 December 2021, the Company did not make any significant changes to its constitutional documents. A latest version of the Articles of Association is available on the websites of the Company and the Stock Exchange.

Financial Summary

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

	For the year ended 31 December		
	2021	2020	2019
	(RMB'000)	(RMB'000)	(RMB'000)
Other income	**17,755**	6,005	2,888
Other gains and losses, net	**(23,540)**	(40,454)	6,316
Fair value (loss) gain of convertible redeemable preference shares	**–**	(16,984)	3,825
Business development expenses	**–**	–	(569)
Administrative expenses	**(104,254)**	(68,625)	(27,760)
Research and development expenses	**(240,610)**	(278,626)	(61,975)
Finance costs	**(3,678)**	(2,389)	(2,070)
Listing expenses	**–**	(37,583)	(22,283)
Other expenses	**(288)**	(473)	(7,426)
Loss before tax	**(354,615)**	(439,129)	(109,054)
Loss and total comprehensive expense for the year	**(354,615)**	(439,129)	(109,054)
Loss per share (RMB)			
Basic	**(0.69)**	(0.99)	(0.29)
Diluted	**(0.69)**	(0.99)	(0.29)

Financial Summary

	As at 31 December		
	2021 (RMB'000)	2020 (RMB'000)	2019 (RMB'000)
NON-CURRENT ASSETS			
Property, plant and equipment	**426,588**	154,492	85,350
Intangible assets	**14,250**	7,371	7,767
Prepayments, deposits and other receivables	**80,499**	31,442	14,216
Contract costs	**976**	1,232	1,488
Financial assets at fair value through profit or loss ("**FVTPL**")	**163,176**	131,969	–
	685,489	326,506	108,821
CURRENT ASSETS			
Contract costs	**256**	256	256
Materials for research and development project	**10,866**	3,975	4,810
Amount due from a related party	**–**	–	750
Prepayments, deposits and other receivables	**47,737**	34,106	20,087
Bank balances and cash	**353,341**	845,386	282,247
	412,200	883,723	308,150
CURRENT LIABILITIES			
Contract liabilities	**710**	710	710
Trade and other payables	**154,706**	20,164	23,134
Lease liabilities	**20,209**	7,204	3,786
Deferred government grants	**4,476**	3,539	6,433
Convertible redeemable preference shares	**–**	–	172,107
	180,101	31,617	206,170
NET CURRENT ASSETS	**232,099**	852,106	101,980
TOTAL ASSETS LESS CURRENT LIABILITIES	**917,588**	1,178,612	210,801
NON-CURRENT LIABILITIES			
Contract liabilities	**2,694**	3,404	4,114
Lease liabilities	**90,845**	43,856	35,214
Deferred government grants	**870**	2,504	1,138
	94,409	49,764	40,466
NET ASSETS	**823,179**	1,128,848	170,335
CAPITAL AND RESERVES			
Share capital	**3,576**	3,576	677
Reserves	**818,683**	1,123,961	168,265
Equity attributable to owners of the Company	**822,259**	1,127,537	168,942
Non-controlling interests	**920**	1,311	1,393
TOTAL EQUITY	**823,179**	1,128,848	170,335

Environmental, Social and Governance Report

OVERVIEW

A healthy environmental, social and governance performance is significant for future sustainable development, achievement of long-term goals and creation of value for shareholders. While the Company is committed to becoming an outstanding leader in the industry, it also proactively promotes green development of the industry, takes up more social responsibilities, focuses on innovation and high-quality production, adheres to a people-oriented culture and facilitates the formation of an industrial chain featuring integrity, transparency and win-win cooperation.

The Company has established an environmental, social and governance ("ESG") indicator system in accordance with the requirements of the "Environmental, Social and Governance Reporting Guide" set out in Appendix 27 to the Listing Rules, and has complied with the provisions set out in the relevant ESG reporting guidelines for disclosure.

ESG Governance Statement of the Board: The Board is the highest decision-making body for ESG management, responsible for the Company's ESG strategy and reporting, including evaluating and determining ESG risks, and ensuring that the Company has established an effective risk management and internal control system. The Company has established an ESG working group comprising management personnel from different departments to discuss ESG issues and has designated relevant personnel to carry out ESG management works. The ESG is finally published after being reviewed by the Board.

ESG Reporting Principles:

- Materiality: This report adheres to the principle of materiality of the Stock Exchange and discloses in the report the Board and the ESG working group's consideration of ESG issues, communication with stakeholders, identification process of substantive issues and matrix of substantive issues. For details of compliance, please refer to the corresponding sections below.

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

- Balance: This report shall provide an unbiased picture of the Group's performance during the Reporting Period. It shall avoid selections, omissions or presentation formats that may inappropriately influence the decision or judgment made by readers of the report.

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

Environmental, Social and Governance Report

COMMUNICATION WITH STAKEHOLDERS

Attaching great importance to mutual communications with stakeholders, the Company has communicated in an open manner with all stakeholders in respect of their expectations and opinions by establishing a variety of communication mechanisms. Stakeholders of the Company include shareholders and investors, regulatory authorities, subjects, employees, suppliers, environment, community and etc.

Stakeholders	Material Issues	Communication and Response Methods
Shareholders and investors	• Stable operation • Performance growth • Return on investment • Risk management	• General meetings • Interim and annual reports • Results announcements • Investor meetings
Regulatory authorities	• Compliance operation • Driving industry development	• Strictly compliance with relevant laws and regulations • Business development and product innovation
Subjects	• Product Safety • Privacy protection • Product efficacy	• Strict quality and safety management • R&D and innovation • Protection of subject interests
Employees	• Equal employment • Career development • Occupational health and safety	• Organise and participate in relevant vocational skills training, provide reasonable promotion channels, employee exchange meetings and weekly meetings • Regular physical examinations, annual hazard detections, distribution of protective equipment when necessary, face-to-face communications, labour unions, cultural and sports activities • Strictly implement the Company's pandemic prevention and control management system and report safety conditions every day

Environmental, Social and Governance Report

Stakeholders	Material Issues	Communication and Response Methods
Suppliers	• Fair procurement • Integrity performance • Long-term win-win cooperation	• Supplier management procedures • Open tender management procedures • Regular communications with and evaluation of suppliers
Environment and surrounding communities	• Elimination of environmental violations • Energy conservation, emission reduction and response to climate changes • Protection of surrounding environment and reduction of environmental impacts as much as possible	• Establishment of EHS related rules and regulations • Advancement of energy conservation and resource use; promotion of green initiatives, such as green office, by employees • Installation of sewage treatment facilities, regular testing of waste water, waste gas and noise, waste sorting and disposal, and ensuring no major hazard source

Environmental, Social and Governance Report

DETERMINATION OF MATERIAL ISSUES

In order to determine its key ESG concerns and information disclosure priority and to ensure the pertinence and responsiveness of the report, the Company has recognised the material issues concerned by stakeholders and determined the level of importance through maintaining sufficient communications with stakeholders and upon sorting out content of the issues by the ESG working group in accordance with the relevant requirements under the "Environmental, Social and Governance Reporting Guide" of the Stock Exchange. A material issue matrix of the Company has been formed as a basis of management and disclosure of ESG information so as to enable comprehensive disclosure of information related to operation and management of the Company as far as possible.

Scopes of Issues in the "Environmental, Social and Governance Reporting Guide"	Material ESG Issues of the Company
A. ENVIRONMENTAL	
A1 Emissions	Greenhouse gas emissions, waste management and noise management
A2 Use of Resources	Reduce energy consumption and save water
A3 Environment and Natural Resources	Green buildings and green operation
A4 Climate Change	Energy conservation, emission reduction and emergency management for extreme weather
B. SOCIAL	
B1 Employment	Equal and diversified employment and care for employees
B2 Health and Safety	Occupational health and employee safety
B3 Development and Training	Staff training and development
B4 Labour Standards	Prohibition of child labour and forced labour
B5 Supply Chain Management	Open and fair procurement and supplier risk management
B6 Product Responsibility	Product innovation and R&D, product quality and safety, product efficacy, information security and protection of subject privacy
B7 Anti-corruption	Anti-corruption and promotion of integrity
B8 Community Investment	Supporting community development

Environmental, Social and Governance Report

A ENVIRONMENTAL

The Company understands the importance of environmental protection to the Company's long-term and stable development, strictly complies with relevant environmental laws and regulations and local standards, establishes an environmental management system and actively contributes to environmental protection and climate changes by adopting resource conservation and environmental protection measures. During the Reporting Period, the Company did not have any violation related to environmental protection, nor was it subject to any environmental penalty.

A1 Emissions

The Company strictly abides by the "Environmental Protection Law of the People's Republic of China", the "Law on the Prevention and Control of Environmental Pollution by Solid Wastes of the People's Republic of China", the Law on the Prevention and Control of Atmospheric Pollution of the People's Republic of China", the "Law on the Prevention and Control of Water Pollution of the People's Republic of China" and other environmental protection laws, regulations and industry policies, establishes sound environmental protection systems and management processes, formulates management specifications and requirements such as the "Hazardous Waste Management System", establishes environmental emergency response mechanisms and emergency procedures for various types of emissions, sets the Company's annual environmental protection goals in the form of the "Annual Safety and Environmental Protection Responsibility Statement", strengthens the environmental protection responsibility awareness of employees at all levels of the Company and enhances the Company's environmental protection governance level in all aspects.

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

1) Waste water

The wastewater generated by the Company is mainly the inactivated wastewater and cleaning wastewater. The Company adopts the sewage treatment device of "regulation-hydrolysis acidification-contact oxidation-sedimentation" and discharges wastewater through the local municipal sewage pipe network to ensure that the discharged wastewater pollutants meet the discharge requirements.

During the Reporting Period, the Company conducted real-time online monitoring on pH value, chemical oxygen demand, ammonia nitrogen and flow of wastewater. The remaining emission indicators were tested quarterly to ensure that the discharge of wastewater pollutants meets the standards.

Environmental, Social and Governance Report

2) Exhaust Gas

The exhaust gas emissions generated by the Company mainly come from drug R&D and production, and the main pollutants include volatile organic compounds (VOCs), particulate matter and etc. The Company collects laboratory exhaust gas by laboratory gas hoods, and then discharges it through activated carbon adsorption devices after treatment. For different types of exhaust gas generated in production, corresponding treatment measures are taken. Organic exhaust gas from workshops and exhaust gas from quality inspection and R&D will be discharged after being treated by the circulating air system and activated carbon adsorption devices; all operations involving biological activities are carried out in biosafety cabinets, which is equipped with highly efficient particulate air screening procedures. The treated exhaust gas and the air in the production workshops are all transferred to the air conditioning system in the workshops. The air flow is filtered by the air-conditioning system in the workshops in 3 different modes, namely low, mid and high and the emission system discharge exhaust gas in a direct way. Highly efficient filtering procedures are set up for exhaust gas pipes to ensure that pollutants discharged with exhaust gas meet the emission requirements.

During the Reporting Period, the Company carried out two organised exhaust gas monitoring and two unorganised exhaust gas monitoring in accordance with the emission monitoring requirements of the pollutant discharge permit, and the emission of pollutants discharged with exhaust gas met the standards.

3) Greenhouse Gas

The Company has issued policies and systems such as the "Regulations on Energy Management and Control in Office Areas", implemented energy management and control measures and regularly supervised and inspected for the reduction of greenhouse gas emission. The Company has also promoted electronic and paperless offices in office management, advocated green travel among employees and reduced greenhouse gas emissions generated during commuting.

4) Solid Waste

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

The Company actively strengthens source control, continuously standardises the behaviour of laboratory operators and avoids the waste of laboratory raw materials and auxiliary materials. The raw materials and auxiliary materials used in R&D and testing processes are gradually replaced by environmentally friendly and green materials.

5) Noise

For the noise pollution generated from production, the main noise sources include air conditioning units, auxiliary pumps for production activities, activated carbon adsorption devices, pure water generators, water injection machines and other equipment. For indoor equipment, the Company selects low noise equipment and all of which are controlled indoor. After basic shock absorption and being insulated by partition walls, the noise value within the plant boundary meets the level 3 standards in the "Emission Standard for Industrial Enterprises Noise within Plant Boundary". During the Reporting Period, the Company carried out noise monitorings regularly within the plant boundary and the noise met the standard.

Emission Indicators of the Company in 2021:

Name of Indicator[1]	Indicator Unit	2021
Total wastewater emissions	Tonnes	**8,806**
Direct GHG emissions[1]	Tonnes CO_2e	**26.24**
Indirect GHG emissions[1]	Tonnes CO_2e	**3,538.58**
Total GHG emissions[1]	Tonnes CO_2e	**3,564.82**
GHG emissions per capita[4]	Tonnes CO_2e/person	**6.92**
Total VOCs emissions[2]	kg	**52**
Total generations of hazardous waste[3]	Tonnes	**27.85**
Hazardous waste generations per capita[4]	kg/person	**54.08**
Packaging waste	kg	**1,300**
Total generations of non-hazardous waste	Tonnes	**69.8**
Non-hazardous waste generations per capita[4]	kg/person	**135.53**

Notes:

1. GHG emissions are calculated based on the "GHG Protocol Corporate Accounting and Reporting Standard 2012 (Revised Edition)" issued by the World Resources Institute (the "WRI") and the World Business Council for Sustainable Development (the "WBCSD") and the"Fifth Assessment Report 2013" issued by the Intergovernmental Panel on Climate Change (the "IPCC"), and relevant calculation, in which the electronic GHG emission factor was selected with reference to the "Guidelines for Accounting and Reporting GHG Emissions of Enterprises Power Generation Facilities (2021 Revision)" issued by the Ministry of Ecology and Environment;

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

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

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

Environmental, Social and Governance Report

A2 Use of Resources

Adhering to the concept of sustainable development, the Company strictly abides by the "Energy Conservation Law of the People's Republic of China", the "Cleaner Production Promotion Law of the People's Republic of China" and other relevant laws and regulations, and has formulated and implemented the "Management Regulations for Energy Management and Control in Office Areas", the "Management System for Low-value Durable Products" and other management systems to continuously strengthen the management of energy conservation and emission reduction in daily operation, and has also actively carried out energy conservation and environmental protection training and education to enhance employees' awareness of energy conservation and environmental protection.

Goals for resource management: The realisation of the reduction of the total electricity consumption by 5% in 2025 as compared with 2021 by replacing energy-saving equipment and controlling daily electricity consumption; by raising employees' awareness of water conservation and replacing water-saving appliances, the water consumption per capita will be reduced by 10% by 2025 when compared with 2021 (resource consumption data of projects under construction and new projects during the period is not included).

1) Energy saving

The Company has established an advanced energy system to improve the efficiency of resource utilisation. During R&D and testing processes, the newly purchased and currently used instruments and equipment are gradually replaced with energy-saving instruments and equipment to reduce energy consumption. In daily work, we carry out education on saving water and electricity, and constantly regulate the behaviour of our employees.

2) Water Conservation

The Company uses municipal water supply and water pressure, regularly inspects water meters and water supply systems and investigates abnormal and hidden water leakages. In terms of clean water, the Company has formulated relevant cleaning procedures in accordance with the cleaning requirements, used water within the approved process scopes and strictly controlled the water consumption used in cleaning processes. In terms of domestic water consumption, the Company has committed to promoting water conservation by posting labels for water-saving systems in toilets and using toilets with water-saving labels and infrared sensors.

Resource Use Indicators of the Company in 2021:

Name of Indicators	Indicator Unit	2021
Comprehensive Energy Consumption[1]	MWh	**5,904.88**
Energy Consumption generated from Purchased Electricity	MWh	**5,800**
Energy Consumption generated from Purchased Gasoline	MWh	**104.88**
Energy Consumption per Employee[2]	MWh/person	**11.47**
Water Consumption	Tonnes	**24,000**
Water Consumption per Employee[2]	Tonnes/person	**46.60**

Notes:

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

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

A3 Environment and Natural Resources

The Company strictly abides by the "Environmental Protection Law of the People's Republic of China", the "Law of Prevention and Control of Water Pollution of the People's Republic of China", the "Law of Prevention and Control of Atmospheric Pollution of the People's Republic of China", the "Law of Prevention and Control of Environmental Pollution by Solid Waste of the People's Republic of China" and other relevant laws and regulations in the regions where the Company operates. In order to maintain a good relationship with the surrounding communities of the production bases, the Company tries its best to conserve resources in its business operations by enabling water resources management and waste recycling and reuse, reducing GHG emissions and improving energy efficiency. During the year, there was no major accident affecting the environment and natural resources and no penalty and complaint in relation to environmental regulations.

Case: Green building certification project

The Company has introduced two-star design standards for green construction throughout the whole process of the "New Biopharmaceutical R&D and Industrialisation Base Project (11 projects such as 1# Quality Inspection Building), organised design institutes to hold a special meeting on green building design and actively built a green biopharmaceutical park in accordance with the "Green Building Evaluation Standards", "Green Building Design Standards" and other guiding documents.

Environmental, Social and Governance Report

The building includes the following green designs:

- Integrated design of process, construction, structure and equipment, integrated design of civil engineering and interior decoration; according to the process requirements, the architectural design elements are simple and the decorative components are moderate.
- Durability measures of construction materials and products are in compliance with the prevailing national standards.
- Recommended building materials or products approved by the State are used:
    - The use of ready-mixed mortar with stable quality and various additional mixtures can ensure the construction quality, and is conducive to environmental protection.
    - Wall materials are aerated autoclaved and autoclaved aerated concrete blocks are used, which have the advantages of light weight and good insulation performance.
    - Stone wool boards, a type A insulation material with superior fire resistance, are used in the insulation layer of the wall system.
    - High performance building exterior windows below 2.5W/m.K are used for building facades; low-emissivity coated glass (low-E) is used for exterior windows and exterior glass curtain walls, which significantly reduces the energy consumption of buildings.
    - The waterproof layer outside the basement of the building is made of polymer modified asphalt waterproof materials, which are self-curable and highly capable of adapting to the deformation of the base.
- Autoclaved aerated concrete and autoclaved fly ash bricks, which are made of waste, are used as construction materials of walls, accounting for not less than 30% of the total amount of the same type of construction materials available.
- The recycle performance of materials is considered in the selection of building materials.
- The transportation distance of major construction materials is limited to 500km.
- All interior decoration materials are environmental friendly materials, and comply with the "Standard for Indoor Environmental Pollution Control of Civil Building Engineering".
- Vibration reduction and vibration isolation measures are adopted for the vibration generated by all process equipment and public facilities, and the vibration strength is in line with the current national standard of the "Environmental Vibration Standards for Urban Areas".
- The light pollution caused by glass curtain wall, lighting setting, exterior wall finishing materials and etc. of buildings is in compliance with the existing requirements of relevant national standards.

Environmental, Social and Governance Report

An illustration of the New Biopharmaceutical R&D and Industrialisation Base Project

A4 Climate Change

The Company understands the importance of addressing climate changes to sustainable development. In the process of production, operation and business expansion, the Company actively implements the concept of green and low-carbon development, and actively reduces GHG emissions through green office, green travel and other measures. Meanwhile, the Company has formulated an emergency management system for public emergencies. With the general manager as the general command, the Company has established a rescue team, a guarantee team and a coordination team to enable unified leadership, unified organisation, rapid response and coordinated response to handle emergencies. The Company has well defined emergency response procedures at different stages, covering essential segments like information collection, disaster judgment, accident reporting, on-site handling and accident follow-up, so as to enhance the ability to handle special weather conditions and minimise the impact and loss caused by emergencies.

Environmental, Social and Governance Report

Extreme Weather and Response Measures

Fire	When the fire is not high and has not posed a major threat to people, fire extinguishers shall be used to control the fire; in the event of uncontrollable spread of fire, the Company will evacuate all of its employees in accordance with the fire evacuation map and call the local fire services by phone.
Flood	When heavy rain continues, the Company will pay attention to prevent flooding in low-lying areas, such as garages, caused by urban waterlogging. Dangerous walls and areas shall be avoided and personal and vehicle safety shall be noted when walking or driving around. When high-voltage cable towers are found collapsed or cables are found dropped or broken, all employees shall stay away and shall not get close to prevent electric shock.
Dust Storms	After receiving the sand and dust weather warning, units manufacturing or using precision instruments shall strengthen dust prevention measures, and essential precision instruments shall be sealed.
Earthquake	In the event of an earthquake, employees in single-storey buildings or the first floor shall move quickly to an outdoor open area at once; employees in outdoor area shall put their bags or soft items over the head or use hands to protect their heads from falling objects; employees in upper floors shall immediately hide and maintain a squat position in the kitchen, the bathroom, a nearby wall corner, the space under solid tables or beds and other areas that can easily form a triangular space; employees riding bicycles or driving motor vehicles shall immediately stop by the roadside and get down or maintain a squat position in an open area, crowded areas shall be avoided; employees shall stay away from external walls, doors, windows and balconies, and shall not use elevators; employees shall quickly avoid huge, risky and collapsible objects, such as dangerous walls, notice boards and cranes, and shall leave buildings and narrow streets.
Snowstorm	In case of a snowstorm, employees shall not go outside and try their best to stay indoor; where employees are in outdoor areas, they shall stay away from notice boards, temporary structures and old trees to avoid falling objects; they shall pay attention to weather forecast and traffic information to avoid delayed travel due to suspension or closure of airports, highways and ferry terminals; where there is a power outage, the power department shall be promptly reported to address the case.

Environmental, Social and Governance Report

B SOCIETY

The Company attaches great importance to the performance of corporate social responsibility, focuses on strengthening its own social influence and understands that the long-term sustainable development of the Company cannot be separated from the sincere cooperation with employees, suppliers, customers, communities and other stakeholders. Therefore, the Company continues to strengthen its communication with all stakeholders and strives to optimise the functions of employment, occupational health and safety, employee development, supply chain management, product quality control, anti-corruption, community investment and other aspects, and is willing to work together with the business ecosystem to create a resilient, healthy and sustainable development model with promising prospects.

B1 Employment

The Company strictly abides by the "Labour Law of the People's Republic of China", the "Labour Contract Law of the People's Republic of China", the "Law of Protection of Women's Rights and Interests of the People's Republic of China", the "Social Insurance Law of the People's Republic of China", the "Provisions on Minimum Wages" and other national and local laws and policies on employee and employment. On the basis of complying with the requirements of laws, regulations and policies, the Company has formulated an internal human resources management system covering recruitment, promotion, working hours, leave benefits, subsidies, retirement, dismissal, other benefits and welfare, which is included into the "Employee Handbook" for strict implementation.

The Company regards talents as its core competitiveness and respects the employment concept of talent inclusiveness and talent integration, and is committed to creating a diversified and inclusive development environment. We prohibit any discrimination on the basis of gender, ethnicity, race, disability, age, religious belief, nationality or family status and absolutely no discrimination or harassment at work will be tolerated.

In order to effectively protect the basic rights and interests of employees, the Company has implemented the following management measures in terms of employment and promotion, remuneration and benefits:

Employment and Promotion	During the Reporting Period, the Company formulated the annual recruitment plan and SOP guidelines, requiring each job applicant to provide true identity information, education information and job resume information, which will be verified by the Company to ensure the matching of job applicants and vacancies and the authenticity of information. The Company mainly recruits employees through recruitment agencies, employee referrals, campus recruitment and online network platforms. Recruitment interviews are divided into three stages, including the human resources department, heads of business departments, and meetings with our company executives. The procedure aims to recruit suitable talents that meet the job descriptions based on the principle of equal employment opportunities. As of 31 December 2021, the Company has recruited a total of 414 employees during the year.

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In addition, the dismissal procedure of employees strictly complies with the applicable national laws and regulations, and the relevant contract terms and conditions are specified in labour contracts.

In terms of promotion, the Company provides equal and open competition and promotion opportunities for all employees.

Remuneration and Benefits

The Company provides competitive remunerations when compared with those offered by other similar enterprises in the industry, and fully respects the value of talents and stipulates that each employee is entitled to paid annual leave in accordance with the law. The Company has also established the "three-phase" protection clause for female employees, aiming to alleviate the work burden of female employees during the "three-phase" period.

In addition, the Company provides various benefits and allowances from time to time, including overtime compensation leave, overtime compensation, high temperature benefits, festival and holiday benefits, exclusive benefits for female employees, staff canteen and meal allowance, quotas for the admission of Beijing residents for doctoral candidates and dormitory or rental allowance for non-Beijing resident employees.

Case: Recruiting High-quality Talents in First-class Colleges

In 2021, the Company organised campus recruitment and publicity sessions in spring and autumn to enhance the Company's influence in campus and build a profound and good image as an employer. During the year, we visited 12 universities, including Tsinghua University, Peking University, Capital Medical University, Beijing University of Chemical Technology, Beijing Institute of Technology and Tianjin Medical University. Through various online and offline channels, the Company collected more than a thousand resumes and we mainly recruited those with a master's degree and doctorate degree, providing an important source for the "self-development" of the Company's talents.

Recruitment on-site

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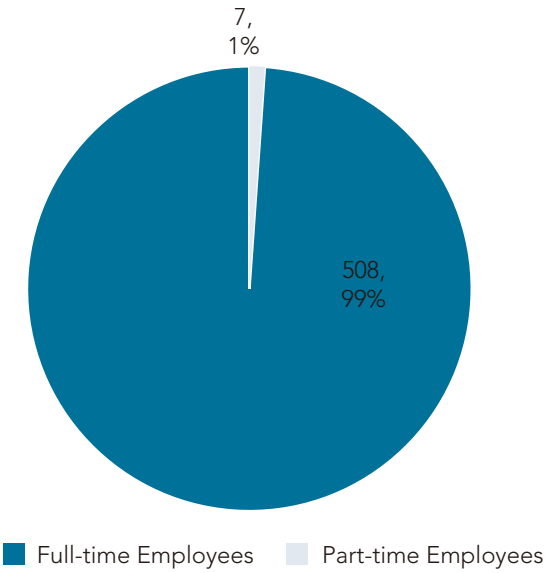
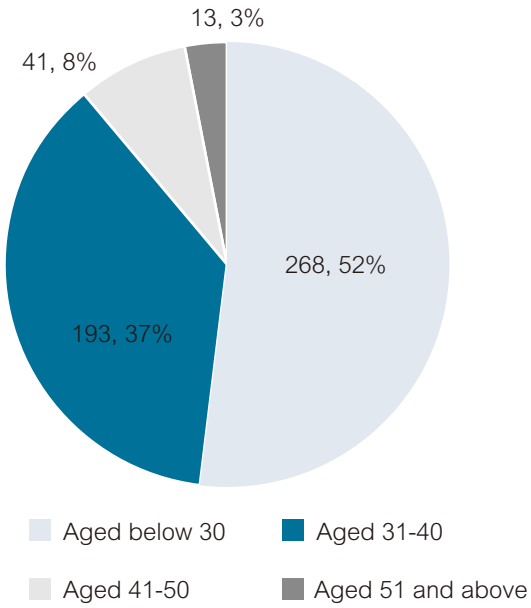
With the vibrant development of the Company, the talent team grew rapidly and continued to show a trend of high academic qualification and young generation. As of 31 December 2021, the Company had a total of 515 full-time employees. The proportion of employees with a bachelor's degree or above further increased to 71%, and the proportion of young employees under the age of 40 further increased to 89%. During the Reporting Period, 414 new employees were recruited, with a turnover rate of 25%. The specific composition and turnover rate of employees are broken down in the following charts.

Number and Proportion of Employees by Recruitment Mode



Number and Proportion of Employees by Age



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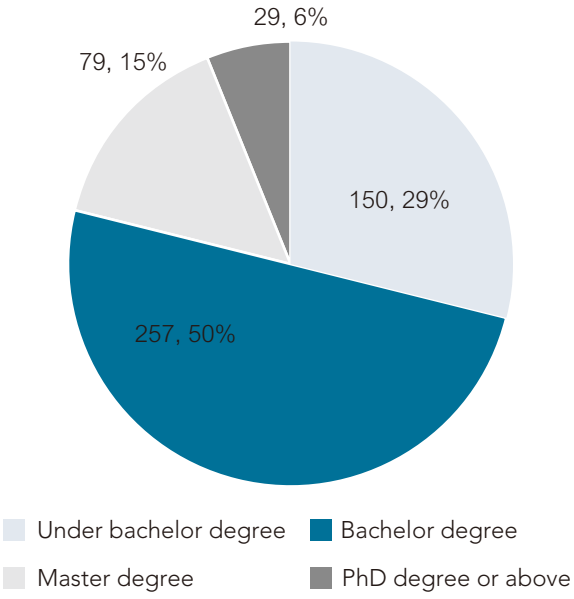
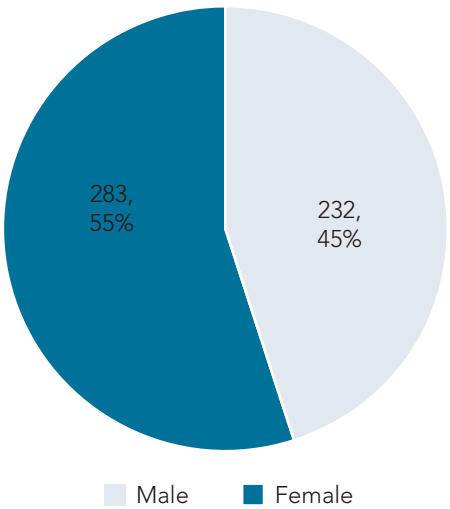
Number and Proportion of Employees by Academic Qualification



Number and Proportion of Employees by Gender



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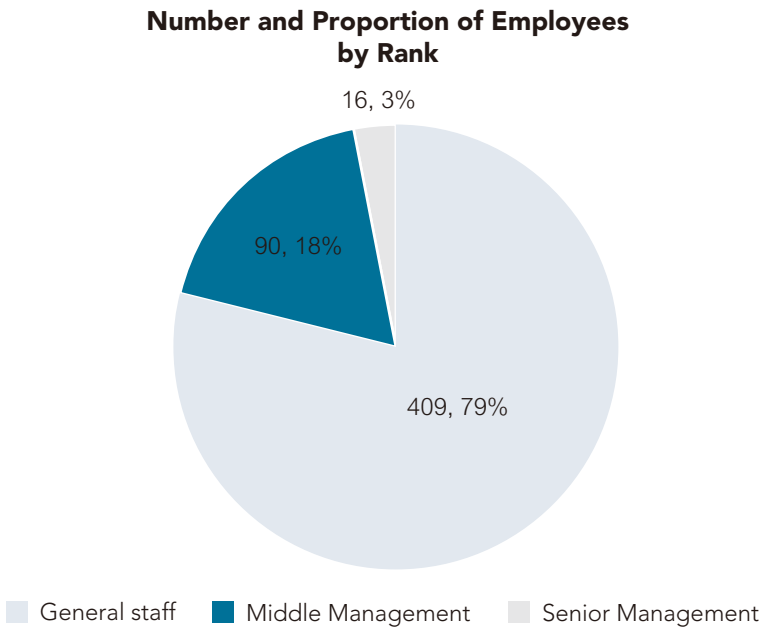

Number of Employees by Region (person)	
Beijing Region	**505**
Guangdong Region	**1**
Shanghai Region	**2**
Hong Kong Region, China	**1**
Overseas	**6**

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Name of Indicators	Indicator Unit	2021
Indicators related to Employee Turnover Rate		
Annual Turnover Rate of Employees	%	**25**
Annual Turnover Rate by Gender		
Turnover Rate Male Employees	%	**28**
Turnover Rate of Female Employees	%	**21**
Annual Turnover Rate by Age		
Turnover Rate of Employees Aged Below 30	%	**22**
Turnover Rate of Employees Aged 31-40	%	**25**
Turnover Rate of Employees Aged 41-50	%	**33**
Turnover Rate of Employees Aged 51 and Above	%	**32**
Annual Turnover Rate by Region		
Turnover Rate of Beijing Employees	%	**24**
Turnover Rate of Guangdong Employees	%	**50**
Turnover Rate of Employees in Shanghai	%	**50**
Turnover Rate of Employees in Hong Kong, China	%	**0**
Turnover Rate of Overseas Employees	%	**36**

B2 Health and Safety

Ensuring the health and safety of employees is an important manifestation of the Company's care for employees. From the perspective of occupational health, we strictly abide by applicable PRC laws, regulations and regulatory documents, such as the "Law of the Prevention and Control of Occupational Diseases of the People's Republic of China", the "Technical Specifications for Occupational Health Supervision", the "Provisions on the Administration of Occupational Health at Work Sites", and the "Law of the Prevention and Control of Infectious Diseases of the People's Republic of China". From the safety perspective, we also comply with applicable PRC laws, regulations and regulatory documents, such as the "Production Safety Law of the People's Republic of China", the "Emergency Response Law of the People's Republic of China", the "Regulations on the Reporting, Investigation and Disposition of Work Safety Accidents" and the "Provisions on the Administrative Accountability for Major Safety Accidents of the State Council". The Company has a professional health and safety management team responsible for the effective implementation of internal health and safety management. The Company has established a sound internal health and safety management system in accordance with the "Notice on Printing and Distributing the Management Regulations for Files of Occupational Health of the General Office of the State Administration of Work Safety", the "Requirements and Guidelines for Occupational Health and Safety Management System, and the "Basic Standards for Work Safety Standardisation of Enterprises".

In order to respond to emergency accidents, the Company has formulated emergency plans, such as the "Emergency Plan for Safety Production Accidents of Immunotech", the "Emergency Plan for Occupational Hazard Accidents", the "Special Emergency Plan for Hazardous Chemical Leakage", the "Emergency Response Plan for Explosive Hazardous Chemical Accidents", and the "Emergency Plan for Limited Space" to control the health and safety risks caused by various emergencies.

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In order to manage and detect daily health and safety risks, the Company has formulated the "Occupational Health Management System", the "Safety Management System for Precursor, Explosive and Highly Toxic Chemicals", the "Safety Accident Reporting, Investigation and Disposal Management System" and other systems and regulations, involving health and safety works at all aspects, including the prevention of occupational disease, the disposal of hazardous chemicals and the investigation for chemicals and hidden hazards, so as to protect the health and safety of employees.

In order to effectively reduce the risk of fire accidents, the Company uses construction materials that meet the fire protection performance standards in accordance with the "Fire Protection Law of the People's Republic of China" and the "Provisions on the Supervision and Administration of Fire Protection of Construction Projects". The Company installs fire-fighting devices and posts notices for fire-fighting in each area within its premises and conducts regular fire drills in accordance with the requirements of the fire management department, so to strengthen the fire prevention awareness of all employees and continuously improve our fire-fighting and evacuation equipment.

The Company seamlessly integrates safety management into daily R&D, production and business processes, implements safety management and control through occupational health and safety training, health examination, special equipment and supervision and management measures for special operations. The Company also adopts pragmatic plans according to actual conditions to alleviate occupational health and safety risks.

In order to enhance employees' awareness and skills of health and safety protection, the Company regularly provides relevant employees with safety education and training, including operation in limited space, use of personal protective equipment, use and management of chemicals and hazardous chemicals, fire management, first aid, epidemic prevention and other related training. Workers engaged in special operations, special equipment operations and contractors are required to receive relevant training and obtain special operation qualification certificates and special equipment operation qualification certificates in advance. In addition, the Company conducts regular drills to simulate emergencies and also organises fire drills and other emergency drills for using fire-fighting equipment, handling leakage of hazardous chemicals and poisoning cases and implementing rescue drills in limited space every year.

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In order to prevent employees from occupational diseases and protect employees' health, the Company has signed occupational hazard factor detection contracts and occupational health examination contracts with occupational health service institutions to identify the intensity of occupational hazards in the workplace environment and to provide occupational health examinations for employees exposed to occupational hazards at work, on-the-job and off-the-job positions. The special physical examination rate for employees with high risks of occupational diseases is 100%. Employees exposed to occupational health risks are provided with labour protection supplies and occupational hazard notification cards that meet national and industry standards and requirements, and occupational health bulletin boards are set up in prominent positions. First-aid kits are made available in each office area. Employees of the safety and environment department have received professional training from Beijing Red Cross and obtained the Beijing Red Cross Rescue Skills Certificate. In the event that employees encounter occupational health problems, we will rearrange their positions in a timely manner and take a series of remedial measures.

The normalised prevention and control of the COVID-19 pandemic is also one of the focuses of the Company. The Company continued to take epidemic prevention and control measures in accordance with the requirements of the government, and immediately established an emergency response team consisting of responsible personnel from relevant centres to clarify the responsibilities of all parties and formulate an emergency response plan. The plan includes various management measures and procedures in the following aspects: monitoring pandemic risks and impacts, managing internal and external communication, collecting and tracking personal health information and health status of employees, providing necessary care and assistance and handling and reporting emergencies (if any). Since the outbreak of the pandemic, we have required employees to work remotely or flexibly at home to prevent the spread of the pandemic in the community. We have maintained continuous communication with employees on the latest development of the epidemic, and issued specific guidance on epidemic prevention, personal safety, health protection and etc. In addition, we have adopted strict disinfection measures in offices and workshops, and provided employees with sufficient protective equipment and necessary facilities to ensure the safety of our operation and production environment.

Health and Safety Indicators of the Company from 2019 to 2021:

Name of Indicators	**2021**	2020	2019
Number of Work-related Accidents (case)	**2**	0	0
Number of Work-related Fatalities (person)	**0**	0	0
Proportion of Work-related Fatalities (%)	**0**	0	0
Number of Working Days Lost due to Work-related Injury (days)	**62**	0	0

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B3 Development and Training

The development of business competency of talents is an essential way for the Company to maintain sustainable competitiveness. The Company attaches great importance to talent training and focuses on creating a unique internal learning and development system. Therefore, the Company has revised the "Training Management System", formulated the "Lecturer Management System", the "DMS&TMS System Training Management Regulations" and the "DMS&TMS System Training Management Module Standard Operating Procedures" for online management of documents. The Company has also clarified the management requirements, including online training and offline training management principles, implementation processes, assessment requirements and file archiving, and also regularly monitored the training results of each department to ensure that the daily production activities of employees meets the GMP requirements. Given the above efforts, the Company has promoted systematic training and standardised management of lecturers to benefit all employees for serving the Company's long-term development strategy to maintain the Company's core competitiveness in the field of cell therapy. During the Reporting Period, in order to implement talent training, the Company continued to optimise and improve the training system and carried out the following measures, including but not limited to:

Implement Quality Training	In accordance with the requirements of the "Good Manufacturing Practice (Revised in 2020)", the Company has established a sound quality training system to meet the various training needs of employees from induction training to document training and temporary training in daily work. The training system includes 5 key factors, namely Formulation of training plan → Preparation of training plan → Organisation and implementation → Training Assessment → Training effect evaluation, so to ensure the training results.
Selection of Lecturer Team	Through the internal selection of lecturers, a team of lecturers for professional courses, general education courses and knowledge and skills course has been selected, and the lecturer team has been empowered with teaching skills and knowledge of course development.
Development of Training Courses	The Company has developed interesting training courses integrating operational knowledge and skills for all employees, and carried out multi-topic, multi-module and multi-form training activities to enable new employees, key technical staff, middle and senior management cadres and other different roles to grow and improve in different empowerment projects.
Establishment of Training Platforms	In order to meet the learning needs of employees anytime and anywhere and improve their learning efficiency, the Company has established an effective online learning platform to provide employees with opportunities of content learning and assessment for induction training, document training, annual training and temporary training. The Company has also established resources banks, such as lecturer information database, test question database and student archive database, so as to ensure the effective implementation of training activities.

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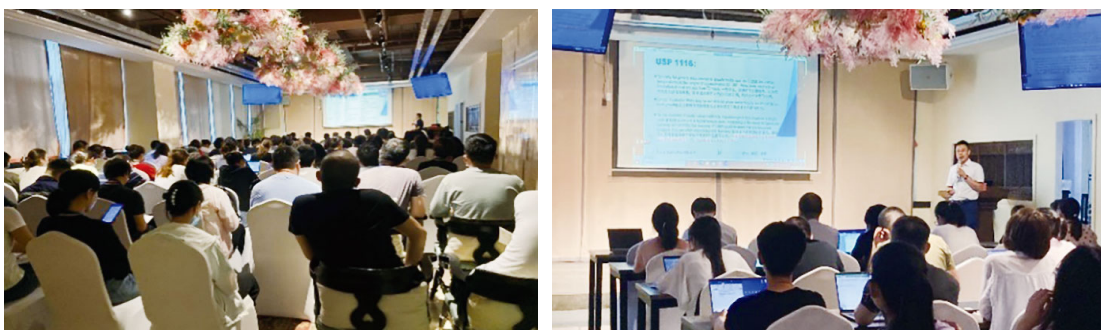
Innovative Training Models	Based on the training concept of "combining training and combat", the Company's training programme has been provided in a flexible and diversified manner, such as apprenticeship, seminars, reading seminars, video learning, and external learning. In addition, through the Company's online TMS training system, a combination of online and offline modes is made available.
Strict Training Processes	The induction training for new employees has been divided into three levels: company level, department level and position level. Company level training includes product processes, quality standards, risk control, GMP regulations, biological safety, microbiological knowledge and etc. Department-level training includes departmental responsibilities and job management procedures related to departmental functions. Job-level training includes job responsibilities and job-related operation documents. The training adopts a combination of online and offline modes, i.e. online learning and online assessment for management classes and offline training for practical operation classes and offline practical assessments. The Company makes every effort to ensure that employees are able to complete job-related work in a standardised, orderly and accurate manner.
Creating Learning Atmosphere	In order to stimulate employees' learning motivation, the Company has regularly conducted online and offline knowledge quizzes, and continuously strengthened employees' knowledge and learning atmosphere of GMP regulations through a series of knowledge competitions.

Case: Organizing Multiple Sessions of Special GMP Training

In order to ensure the continuous and effective operation of the Company's production quality management system, to continuously improve the employees' knowledge and ability of laws and regulations, product-related knowledge and job skills and to ensure that the Company meets the requirements of laws and regulations in various aspects, such as personnel, equipment and facilities, materials and products and environmental control, a total of 18 special GMP training sessions covering a total of 75 topics were organised in 2021. Training topics included "Special Training on Computer Systems", "Quality Risk Management", "Supplier Management", "Quality Assurance System Analysis", "Cleaning and Disinfection of Clean-up Areas", "Environmental Monitoring" and etc., basically covering all the professional knowledge and professional skills of GMP modules. Staff in training sites listened carefully, combined the course content with the actual business and discussed with the lecturers to work out solutions, and good training results were achieved accordingly.



GMP training

Training Indicators for Employees in 2021:

Indicators	Administrative Training	Skills Training
Percentage of Trained Employees (%)	95.92	100
Total Number of Trained Employees (person-time)	54,076	6,949
Average Training Hours per Employee (hours/person)	59.49	112

	Percentage of Employees Participating in Administrative Training	Average Training Hours of Administrative Staff per Person (hours/person)	Percentage of Employees Participating in Skill Training	Average Training Hours per Person (hours/person)
Training of Employees by Gender:				
Male	**44.94%**	**48.76**	**34%**	**112**
Female	**55.06%**	**68.29**	**66%**	**112**
Training of Employees by Rank:				
General Staff	**79.41%**	**70.44**	**89%**	**114**
Middle Management	**17.09%**	**20.21**	**11%**	**93**
Senior Management	**3.50%**	**5.56**	**0%**	**0**

B4 Labour Standards

The Company complies with the "Labour Law of the People's Republic of China", the "Civil Code of the People's Republic of China" and other relevant laws and regulations, and strictly abides by the management policies formulated according to relevant international, national and local standards and regulations to prevent child labour and forced labour for the sake of protecting the legitimate rights and interests of employees. The Company has established a complete personnel recruitment process, formulated and implemented the "Recruitment and Deployment Management System" and adhered to legal and standardised employment. The Company has standardised labour relations through the "Employee Handbook" to protect employees' interests and personal safety. With the implementation of the "Attendance Management System", reasonable arrangements have been made for labours, and the implementation of the system has been optimised and improved regularly based on employees' feedback to avoid any dispute at work. During the year, there was no violation of international, national and local standards, rules and regulations related to child labour and forced labour.

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B5 Supplier Management

In accordance with the requirements of laws and regulations, such as the "Medicinal Product Administration Law of the People's Republic of China", the"Good Manufacturing Practice for Pharmaceutical Products", the "Good Supply Practice for Pharmaceutical Products", the "Good Supply Practice for Drugs (Annex)", the "Administrative Measures for the Registration of Medical Devices" and the "Regulations on the Supervision and Administration of Medical Devices", the Company has established a sound supplier management system and formulated certain management systems, such as the "Equipment and Devices Procurement Management Rules", the "Material Suppliers Management Rules", the "Cold Chain Carriers Management Rules" and the "Project Bidding Management Rules" to regulate the procurement and supplier management standards. Under the stringent supplier selection procedures, the Company determined the review method for different types of suppliers and comprehensively considered the suppliers' product and service quality, technological standards, goodwill and integrity, price and etc. Only the suppliers with all review items passed and approved could be included in the Company's list of qualified suppliers.

The Company places a strong emphasis on the quality of products provided by raw material suppliers and conducts small-scale trial production and stability inspections when necessary to evaluate the impact on the Company's product quality. The Company conducted phased re-reviews of existing qualified suppliers regularly and annual secondary reviews of suppliers after the end of the cooperation to comprehensively assess the compliance of suppliers. Focus would be placed on the supply, qualification of material, use, qualification compliance and deviation management of the suppliers.

As of the end of 2021, the Company had a total of 23 cooperative suppliers, all of which came from mainland China, with an annual evaluation rate of 100%. The goods and services supplied included raw materials, internal packaging materials, production consumables, culture media for testing, cold chain logistics services, administrative goods and services and etc.

1) Supplier Management

The Company includes the suppliers of raw materials, internal packaging materials, production consumables, culture media for testing and other materials and the cold chain logistics suppliers into the scope of GMP supplier management, and conducts evaluation and audit on suppliers in accordance with the requirements of the "Material Suppliers Management Rules" and the "Cold Chain Carriers Management Rules". Suppliers are classified and managed with reference to materials of various risk levels supplied by them. Review approaches are determined in accordance with the assessed category of individual suppliers and review is made accordingly with the result of the review being one of the pre-conditions of the co-operation with individual supplier.

The Company conducts annual review on existing qualified suppliers every year and the scope of review includes supply, material acceptance, transportation conditions, usage, qualification information compliance, inspection results, technical support cooperation and deviation change management and etc. The Company comprehensively evaluates the compliance of suppliers and formulates annual review plans based on the review results for continuous management of suppliers.

2) ESG Risk Management of Supply Chain

Based on the "Procurement Policy and Strategy", the Company actively conducts risk analysis on suppliers from a comprehensive perspective and strengthens supplier management. Suppliers needed to work on-site are required to sign the "Safety and Environmental Protection Management Agreement" which clearly defines the safety and environmental protection management responsibilities and rights of relevant parties, centralise the supervision and coordination of the safety and environmental protection management measures and staff behaviours of relevant personnel and prevents the occurrence of environmental and safety accidents. The Company adheres to a zero-tolerance attitude towards integrity issues and requires all procurement staff to sign the integrity agreement of the Company when they join the Company and gives priority to integrity requirements in relevant regular meetings to improve the compliance awareness of procurement staff.

3) Selection of Environmentally Friendly Products and Services

In the process of product and service procurement, the Company pays attention to the environmental management performance of suppliers and minimised the environmental risks related to suppliers. When purchasing products, the procurement staff will give priority to the products or services that meet the environmental protection concept where the performance and technical services are of the same quality.

B6 Product and Responsibility

1) R&D Progress and Achievements

Driven by innovation, the Company has continued to endeavour to establish an efficient R&D system. As of the end of 2021, the Company's R&D team had 447 employees, accounting for 87% of the total headcount of the Company, and invested RMB169 million in R&D, accounting for approximately 65.81% of the Company's total annual cost. In 2021, the Company was awarded the "Most Valuable Pharmaceutical and Medical Company" and the "Most Innovative Award", and its innovation capability was highly recognised.

In 2021, a number of the Company's pipeline products are progressing smoothly. The CMC study of RC19D2 product has been completed whereas the pre-IND submission for the non-clinical study was completed on 31 January 2022. The pharmacodynamic assessment of the aT19 product was completed. As a vaccine product, it significantly enhanced the efficacy and provided a possible cure for tumours. TCR product for multiple myeloma under the TCR-T series has completed the early in vitro assessment and started the IIT study and significant efficacy was shown. Functional verification for other TCR products were also completed. In vitro assessment of CAR-43 product targeting T-cell leukemia was completed, which demonstrated a relatively significant efficacy. The Phase I clinical trial approval for CAR-T-19 has been initiated in April 2020 and the enrolment of 6 subjects has been completed. The preparation for the Phase II clinical trial has been initiated accordingly. EAL® was filed for IND in 2015, and the IND was approved in 2017. In September 2018, the production of cells for the phase II clinical trial was initiated. As of the end of 2021, the production of approximately 1,600 batches of cells for the phase II clinical trial has been completed.

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Case: Improving Scientificity and Work Efficiency of Experiment Design

T cell culture is a study of cell factor concentration and cell vaccination intensity. Under two serum-free cell culture media, the impact of cell concentration and cell vaccination intensity on T cell amplification is explored, and the range of cell factor concentration and cell vaccination intensity that are most suitable for T cell growth is also determined. According to the traditional research approach, multiple factors and levels are simultaneously involved when examining the impact on T-cell growth. In general, orthogonal experiments are considered. However, substantial workload and expensive cost will be involved and the experimental data are also difficult to obtain the desired results due to the interaction of multiple factors. The most important thing is that there is only a single point control for the experimental conclusion, and the process parameters do not reflect the dimension of design, which is undesirable to process control. The Company actively adopts the QbD concept for experimental design and only 15 experiments are required to determine the parameter range of each process parameter, of which 4 central points are included to improve the reliability of data and the scientificity of experimental design.

Case: Strengthening Cooperation to Build a New Smart Pharmaceutical Factory

As a leader in cellular immunotherapy in China, the Company always regards digital and intelligent structure as one of its core strategies. Based on Immunotech's in-depth experience and market strategy in the R&D of cellular immunotherapy, as well as the continuous technological innovation and intelligent solutions of Körber in the pharmaceutical industry for over 125 years, both parties have entered into a strategic cooperation agreement. This cooperation is the most important move that the Company has taken towards "smart manufacturing". By introducing the Manufacturing Execution System (MES), the Company will build a new smart pharmaceutical factory that takes safety and efficiency into consideration, thereby realizing the interconnection and data interaction between all segments of production and manufacturing, accelerating the strategic process of digitalisation and intelligence, continuing to maintain and establish a model role for the industry and providing more high-quality products and services.

2) Product Safety and Quality Management

In strict compliance with the "Drug Administration Law of the People's Republic of China", the "Administrative Measures on Supervision of Drug Manufacturing", the "Measures for the Administration of Drug Registration", the "Good Manufacturing Practice for Pharmaceutical Products" and the annexes thereof and other relevant laws and regulations, the Company has established a quality control system to standardise the procedures for drug production and quality control. Its system documents cover process regulations, quality standards, departmental functions, job responsibilities, institutions and personnel, plants and facilities, equipment management, materials and products, confirmation and verification, document management, production management, quality assurance, quality control, entrusted production and entrusted inspection, computerised systems, supply of materials and other management requirements, which are able to ensure the operation of the quality system.

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In order to ensure that the quality management system can meet the regulatory requirements and adapt to the characteristics of cell therapy products in a more effective manner, the Company optimised the quality management system in all aspects from April to October 2021. The optimisation covers various management modules, such as personnel, machinery, materials, methods, environment and measurement, and a total of 176 management files, including the "Regulations on Personnel Health Management", the "Regulations on Plant Facilities Management", the "Regulations on Material Procurement Management", and the "Regulations on Confirmation and Verification Management", 525 standard operating procedures and quality standard documents, including the "KBM581 Quality Standard", the "Standard Operating Procedures for Changing Clothing" and the "Standard Operating Procedures for Cleaning and Maintenance of the SPX-150 BSH-II Bio-chemical Cultivation Tank" and 867 relevant records and labels, were optimised as a result. The above documents are recorded through the DMS system (file management information system) to achieve scientific and efficient management and ensure the effective operation of the production and quality system. In order to ensure the effective operation and continuous improvement of the quality control system, the Company has also carried out quality control activities, such as risk assessment and annual quality review, and adopted effective risk control measures for the identified risks timely. The Company also continued to optimise the quality control system for drug production to ensure that the whole process of drug production continued to meet the statutory requirements.

In terms of R&D quality management, the Company has established a quality management system suitable for R&D and operation in accordance with the "Drug Administration Law of the People's Republic of China", the "Biosecurity Law of the People's Republic of China", the "Measures for the Administration of Drug Registration"`, the "Good Laboratory Practice for Non-clinical Laboratory Studies", the "Guidelines on the Quality Control of Pharmaceutical Products Research and Development Registration" and other relevant laws and regulations, and has prepared management documents for R&D related quality management system, including the "R&D Quality Management Regulations", the "R&D Project Management Regulations", the "R&D Project Establishment Management Regulations" and etc., so as to supervise the performance of R&D in terms of quality management compliance and continuously update the operation process, thud fully ensuring the reliability of data of R&D trials and accelerating R&D processes.

During the year, there was no product and service related complaint, and the product return rate for safety and health reasons was 0%.

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Case: Active Training to Empower the R&D Team

The Company has established a training system for PMs and key technicians, and invited senior PMs to hold general knowledge training on drug development for new PMs and technical personnel, with a total of 5 training sessions and 15 training hours. At the same time, based on the 6th edition of PMBOK, the Company provided 7 general training sessions on project management to PMs and key technicians, helping PMs to understand and be familiar with the knowledge of drug development and project management in a timely manner.

Training on regulations for PMs

In terms of clinical trials, the Company has adopted the quality policy of "patient-oriented for standardisation, implementation, supervision and improvement" to strictly control all aspects of the EAL clinical project, so that each subject can receive treatment in a safe, timely and effective manner. The Company has established a complete filing system and continuously optimised it to ensure the implementation of stringent processes and unified standards. It covers the collection application, production scheduling, collection and delivery, delivery and acceptance of materials of suppliers, production scheduling, delivery, reinfusion, return and planning adjustment of products, and has formulated a marketing version in response to the next stage of drug marketing. The current filing system starts from the follow-up and pre-scheduling of subjects in the clinical trial group to ensure that each subject completes the treatment in accordance with the protocol, that collection and return operations are carried out by qualified personnel trained by the Company, that supplier materials and subject information are connected by generating a unique identification number; that supplier materials and products are entrusted for delivery by audited and approved cold chain logistics service providers; that, during the reinfusion process of products, the CRC authorised by the Company will pay attention to the reinfusion process of each subject in the research centre to ensure the compliance of the reinfusion operation process and the safety of the subjects; and that, during the collection and reinfusion process, the material and label are under management to ensure that the collection and reinfusion process of subjects is free from confusion and error.

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Case: Epidemic Prevention and Control to Achieve Safe Blood Collection and Transportation

During the pandemic, in order to realise safe and smooth operation of the EAL clinical projects, before arranging blood collection and reinfusion for each subject, apart from the necessary inspections performed according to the clinical protocol and the collection and reinfusion SOP requirements, the Company also required each subject to present Health Kit, Travel History Code and the result of a nucleic acid test within a month before blood sampling or reinfusion. Also, collaborative manufacturers and logistics carriers were required by the Company to use special incubators for sample delivery and to disinfect the samples, external packages of products and transportation vehicles at all necessary segments before the delivery according to the epidemic prevention and control measures of the Company so as to ensure the safety of samples.

3) Management of Unqualified Products

As the Company regards patients' safe use of pharmaceutical products as its fundamental principle of operation, it has established the "Recall Management Regulations", the "Unqualified Products Management Rules", the "Standard Operating Procedures for the Return of Amplified and Activated Lymphocyte" to regulate the management process of product return and recall to ensure that product return and recall are handled in a timely and proper manner.

4) Protection of Intellectual Property Right

In strict compliance with the "Trademark Law", the "Anti-Unfair Competition Law", the "Patent Law" and other laws and regulations, the Company has established the "Intellectual Property Right Management System" to provide standard guidelines for intellectual property right protection. Insisting on technological innovation and attaching great importance to the protection of intellectual property rights, the Company regularly organised training sessions related to intellectual property rights for employees in order to enhance their awareness of protecting intellectual property rights.

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5) Information Security

The Company has formulated the "Information System Account and Authority Management System" in accordance with national regulations and policies, such as the "Cybersecurity Law", the "Good Manufacturing Practice for Pharmaceutical Products" and the "ISO270001" to achieve standardised management of account and authority of each information system, to ensure the safe, orderly and stable operation of each information system and to prevent and manage risks. The Company has also formulated the "Information Security Emergency Plan" to improve our management capabilities in case of emergency. The Company's confidentiality measures included the signing of confidentiality agreements with employees before being admitted, the signing of confidentiality agreements with staff who might be exposed to confidential information, the installation of anti-leakage information system, computer encryption and etc. and the information system successfully launched in 2021. All of the above have passed the data integrity verification, met the regulatory requirements of pharmaceutical companies and strictly guaranteed the security of the Company's confidential information.

6) Product Promotion

In compliance with the "Drug Administration Law of the People's Republic of China", the "Advertising Law of the People's Republic of China"), the "Examination and Release of Drug Advertisements" and other laws and regulations, the Company has announced its product R&D progress in an objective and truthful manner, without exaggeration or false claim, thus ensuring that all content was authentic and lawful. When preparing the subject informed consent form and recruitment advertisements, the Company ensured that the product information had been approved by the ethics committee of each research centre and the subjects had been fully informed and signed the informed consent form before screening.

7) Rights and Interests and Privacy Protection of Subjects

The Company is committed to minimising the risks of clinical trials and always insists on protecting the health and rights of subjects. In compliance with the "Declaration of Helsinki", the "Medicinal Product Administration Law of the People's Republic of China", the "Measures for the Administration of Drug Registration", the "Administration Rules of Quality of Drug Clinical Practice", the "Guiding Principles for Ethical Review of Drug Clinical Trials" and other laws and regulations, the Company has formulated systematic and standardised operating procedures for medical writings (preparation of clinical trial plans, study manuals of informed consent investigators, clinical summary and etc.), medical supervision (review of admission standards, audit of adverse events, review of program deviation and etc.), pharmacovigilance (risk management measures, reports of suspicious unexpected adverse reactions, individual safety events, regular safety events and etc.), and has regularly held training sessions (including participating in training of relevant governments and industry institutions, and conducting technical and standard training for external suppliers and research centres), for the purpose of ensuring scientific and safe clinical research.

Each clinical trial research centre has passed the review of the clinical trial ethics committee and obtained an ethical approval before commencing the clinical trial. In clinical trials, the principle of "informed consent" was strictly implemented to protect the right to know of clinical trial subjects. The collection, use, transmission of information generated by subjects in clinical trials and the publication of research results shall be fully notified to the subjects to ensure the full understanding of the subjects and obtain their consent. Subjects had the right to withdraw from the trial at any time without any reason. It was necessary to provide proper compensation and treatment for subjects who suffered injuries as a result of participating in a clinical research.

After a clinical trial subject participated in a clinical trial, the personal and private information is would be hidden and transformed into a private masked code being the subject code according to a specific coding principle. In the process of data and information collection, a subject code is a specific code for identifying subjects in clinical trials. The medical records, checking records and any document related to the subject's privacy generated from the subject in the hospital were not allowed to be taken away from the clinical trial centre. The data required for clinical trials would be collected from medical records, checking-related records and other clinical documents, and would be recorded in the Electronic Data Capture (the "EDC") system designed for clinical trials, and the private information of subjects would not be recorded in the EDC. Except for clinical trial investigators (generally authorised medical personnel to participate in clinical trials) and authorised clinical trial assistants, applicants (pharmaceutical companies and CROs representing pharmaceutical companies) are not allowed to contact subjects directly.

B7 Anti-corruption

In strict compliance with the "Criminal Law of the People's Republic of China", the "Company Law of the People's Republic of China", the "Anti-Money Laundering Law of the People's Republic of China", the "Provisions on Prohibition of Commercial Bribery" and other anti-corruption, anti-fraud and antimony laundering laws and regulations, the Company has established an internal control mechanism to strengthens the supervision of unethical or illegal acts such as bribery, extortion and money laundering. In order to promote the implementation of anti-corruption regulations, the Company has arranged our directors and senior management to regularly participate in the legal training held by the Hong Kong Chartered Governance Institute (formerly known as Hong Kong Institute of Chartered Secretaries) and the Hong Kong Institute of Law. The training covered disclosure of inside information, directors' responsibilities and etc.

In order to strengthen the daily supervision of anti-corruption, the Company formulated and promulgated a complaint and reporting management system in 2021, and also set up a complaint and reporting channel. Employees can report corruption issues of the Company by letter and email (complaint box: tousu@eaal.net). The Company has set up a complaint and report mailbox on the Company's official website to expose it under social supervision.

During the Reporting Period, the Company did not receive any corruption report, and there was no confirmed corruption case or legal proceeding against the Company or its employees in relation to corruption. During the Reporting Period, the Company focused on the optimisation and improvement of the anti-corruption supervision and reporting system, and has not held anti-corruption related training for employees yet, which is planned to be carried out in 2022.

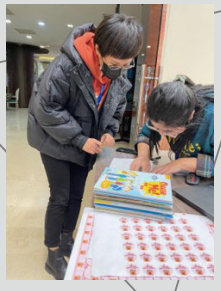
Environmental, Social and Governance Report

B8 Community Investment

The Company has never forgotten its original aspiration and actively participated in social activities to contribute its efforts to the construction of a harmonious society.

In 2021, the Company organised the "Love from Sincere Yongtai" used clothes and used books donation campaign, and employees actively responded and participated in the activity. At the same time, the Company also proactively participated in the "Love and Care From CPC Members" donation campaign organised by Beijing Charity Association, to contribute our efforts in philanthropy.

Results Show:



Donation Sign-in

Yongtai People Coming with Used Clothes

More Than 110 Items of Used Clothes and Over 80 books Were Collected at the Donation Site.

"Love from Sincere Yongtai" Used Clothes and Used Books Donation Campaign

Environmental, Social and Governance Report

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B1 Employment	General Disclosure	89-94
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Independent Auditor's Report

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of Immunotech Biopharm Ltd (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 116 to 189, 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 International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

Independent Auditor's Report

KEY AUDIT MATTER

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

Key audit matter	How our audit addressed the key audit matter
Recognition and cut-off of outsourcing service fees	
We identified the recognition and cut-off of outsourcing service fees as a key audit matter due to its significance and the estimation involved in allocating the outsourcing service fees paid and payable to contract research organisations, clinical site management operators, and clinical trial centres mainly being hospitals (collectively referred as "Outsourced Service Providers") in the appropriate financial reporting period. As disclosed in Note 11 to the consolidated financial statements, the Group incurred outsourcing service fees amounting to approximately RMB48 million for the year ended 31 December 2021, representing the second largest item of the Group's research and development ("R&D") expenses besides staff costs. The R&D activities with these Outsourced Service Providers are documented in detailed agreements and are typically performed over a specified period. Allocation of these expenses to the appropriate financial reporting period based on the progress of the R&D projects involves estimation.	Our procedures included: • Testing the design and implementation of management's key controls relevant to our audit to monitor the progress of outsourced R&D activities and recording of relevant R&D expenses; • Inquiring the project managers of certain Outsourced Service Providers and inspecting the relevant supporting documents to understand the progress of R&D projects at year end; • Checking with the Outsourced Service Providers in respect of the progress of the services provided, on a sample basis, for the year ended 31 December 2021; • Checking the accrual of service expenses in relation to major Outsourced Service Providers with reference to actual progresses at year end against the relevant terms in the respective service agreements to evaluate the completion status to determine whether the service fees were recorded based on respective contract sums, progress and/or relevant milestones achieved; and • Testing the payments of service fees to Outsourced Service Providers on a sample basis.

Independent Auditor's Report

OTHER INFORMATION

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

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

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

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

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

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

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

Independent Auditor's Report

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

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

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

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

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

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

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

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

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

Independent Auditor's Report

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 March 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December 2021

	Notes	For the year ended 31 December 2021 RMB'000	2020 RMB'000
Other income	7	**17,755**	6,005
Other gains and losses, net	8	**(23,540)**	(40,454)
Fair value loss of convertible redeemable preference shares	27	**–**	(16,984)
Administrative expenses		**(104,254)**	(68,625)
Research and development expenses		**(240,610)**	(278,626)
Finance costs	9	**(3,678)**	(2,389)
Listing expenses		**–**	(37,583)
Other expenses		**(288)**	(473)
Loss before tax		**(354,615)**	(439,129)
Income tax expense	10	**–**	–
Loss and total comprehensive expense for the year	11	**(354,615)**	(439,129)
Loss and total comprehensive expense for the year attributable to:			
Owners of the Company		**(354,224)**	(439,047)
Non-controlling interests		**(391)**	(82)
		(354,615)	(439,129)
Loss per share (RMB)	15		
Basic		**(0.69)**	(0.99)
Diluted		**(0.69)**	(0.99)

Consolidated Statement of Financial Position

At 31 December 2021

	Notes	As at 31 December 2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**426,588**	154,492
Intangible assets	17	**14,250**	7,371
Prepayments, deposits and other receivables	20	**80,499**	31,442
Contract costs	18	**976**	1,232
Financial assets at fair value through profit or loss ("FVTPL")	19	**163,176**	131,969
		685,489	326,506
CURRENT ASSETS			
Contract costs	18	**256**	256
Materials for research and development project	21	**10,866**	3,975
Prepayments, deposits and other receivables	20	**47,737**	34,106
Bank balances and cash	22	**353,341**	845,386
		412,200	883,723
CURRENT LIABILITIES			
Contract liabilities	23	**710**	710
Trade and other payables	24	**154,706**	20,164
Lease liabilities	25	**20,209**	7,204
Deferred government grants	26	**4,476**	3,539
		180,101	31,617
NET CURRENT ASSETS		**232,099**	852,106
TOTAL ASSETS LESS CURRENT LIABILITIES		**917,588**	1,178,612

Consolidated Statement of Financial Position

At 31 December 2021

	Notes	As at 31 December 2021 RMB'000	2020 RMB'000
NON-CURRENT LIABILITIES			
Contract liabilities	23	**2,694**	3,404
Lease liabilities	25	**90,845**	43,856
Deferred government grants	26	**870**	2,504
		94,409	49,764
NET ASSETS		**823,179**	1,128,848
CAPITAL AND RESERVES			
Share capital	28	**3,576**	3,576
Reserves		**818,683**	1,123,961
Equity attributable to owners of the Company		**822,259**	1,127,537
Non-controlling interests		**920**	1,311
TOTAL EQUITY		**823,179**	1,128,848

The consolidated financial statements on pages 116 to 189 were approved and authorised for issue by the board of directors on 25 March 2022 and are signed on its behalf by:

Tan Zheng
DIRECTOR

Wang Yu
DIRECTOR

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2021

	Attributable to owners of the Company								
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000 (Note i)	Statutory surplus reserve RMB'000 (Note ii)	Share option reserve RMB'000 (Note 30)	Accumulated losses RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020	677	159,458	180,349	2,001	405	(173,948)	168,942	1,393	170,335
Loss and total comprehensive expense for the year	–	–	–	–	–	(439,047)	(439,047)	(82)	(439,129)
Conversion of preference shares upon the initial public offering ("IPO") (Note 27)	35	189,056	–	–	–	–	189,091	–	189,091
Issue of shares pursuant to the Capitalisation Issue (as defined in Note 28(b))	2,063	(2,063)	–	–	–	–	–	–	–
Issue of shares upon the IPO and exercise of the over-allotment options (Note 28(c)&(d))	801	1,136,310	–	–	–	–	1,137,111	–	1,137,111
Transaction costs attributable to issue of shares	–	(80,263)	–	–	–	–	(80,263)	–	(80,263)
Recognition of equity-settled share-based payment	–	–	–	–	151,703	–	151,703	–	151,703
At 31 December 2020	3,576	1,402,498	180,349	2,001	152,108	(612,995)	1,127,537	1,311	1,128,848
Loss and total comprehensive expense for the year	–	–	–	–	–	(354,224)	(354,224)	(391)	(354,615)
Recognition of equity-settled share-based payment	–	–	–	–	48,946	–	48,946	–	48,946
At 31 December 2021	**3,576**	**1,402,498**	**180,349**	**2,001**	**201,054**	**(967,219)**	**822,259**	**920**	**823,179**

Notes:

i Capital reserve represents (i) the difference amounting to RMB191,990,000 of the capital contribution from certain investors of Immunotech Applied Science Limited* (北京永泰生物製品有限公司) ("Beijing Yongtai") and new paid-in capital issued to those investors; (2) a net amount of RMB11,641,000 recognised against capital reserve arising from a group reorganisation completed in 2018.

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

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2021

	Notes	For the year ended 31 December 2021 RMB'000	2020 RMB'000
OPERATING ACTIVITIES			
Loss before tax		**(354,615)**	(439,129)
Adjustment for:			
Interest income		**(7,556)**	(3,651)
Exchange loss, net		**127**	23,817
Depreciation of property, plant and equipment	11	**19,856**	12,899
Amortisation of intangible assets	11	**1,149**	883
Loss (gain) on disposal of property, plant and equipment	8	**94**	(78)
Finance costs	9	**3,678**	2,389
Impairment loss reversed on an intangible asset	8	**(1,304)**	–
Fair value loss of convertible redeemable preference shares	27	**–**	16,984
Fair value loss on financial assets at FVTPL, net	8	**18,793**	–
Release of deferred government grants	26	**(2,894)**	(1,528)
Recognition of equity-settled share-based payment		**48,946**	151,703
Operating cash flows before movements in working capital		**(273,726)**	(235,711)
Movements in working capital:			
Increase in prepayments, deposits and other receivables		**(12,811)**	(28,681)
(Increase) decrease in materials for research and development project		**(6,891)**	835
Decrease in contract costs		**256**	256
Decrease in contract liabilities		**(710)**	(710)
Increase in trade and other payables		**38,869**	346
Increase in deferred government grants		**360**	–
NET CASH USED IN OPERATING ACTIVITIES		**(254,653)**	(263,665)

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2021

	Note	For the year ended 31 December 2021 RMB'000	2020 RMB'000
INVESTING ACTIVITIES			
Interest received		**5,570**	3,581
Payments for purchase of property, plant and equipment		**(146,014)**	(25,039)
Acquisition of financial assets at FVTPL		**(50,000)**	(131,969)
Payments for leasehold lands		**(12,906)**	(50,146)
Payments for intangible assets		**(22,319)**	(487)
Payments for rental deposits		**(2,665)**	(855)
Proceeds from disposal of property, plant and equipment		**213**	98
Repayments from a related party		**–**	750
Placement of bank deposits with original maturity over three months		**(100,085)**	–
NET CASH USED IN INVESTING ACTIVITIES		**(328,206)**	(204,067)
FINANCING ACTIVITIES			
Payments of share issue cost for IPO		**–**	(75,558)
Issue of shares upon IPO and exercise of over-allotment options		**–**	1,137,111
Repayment of lease liabilities		**(7,321)**	(4,476)
Interest paid		**(3,678)**	(2,389)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(10,999)**	1,054,688
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(593,858)**	586,956
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**845,386**	282,247
Effect of foreign exchange rate changes		**(127)**	(23,817)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	22	**251,401**	845,386

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

1. GENERAL INFORMATION

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

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

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

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

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (the "IASB") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	Insurance Contracts and the related Amendments[3]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to IAS 8	Definition of Accounting Estimates[3]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018–2020[2]

1. Effective for annual periods beginning on or after 1 April 2021.
2. Effective for annual periods beginning on or after 1 January 2022.
3. Effective for annual periods beginning on or after 1 January 2023.
4. Effective for annual periods beginning on or after a date to be determined.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

The Directors have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

Contractual Arrangements

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

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

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

* English name is for identification purpose only

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

Contractual Arrangements (Continued)

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers

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

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

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

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

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

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

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

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

Output method

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers (Continued)

Contract costs

Costs to fulfil a contract

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

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

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

(c) the costs are expected to be recovered.

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

Leases

Definition of a lease

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Group as a lessee

Allocation of consideration to components of a contract

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

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

Short-term leases

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

Right-of-use assets

The cost of right-of-use asset includes:

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

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

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

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

Refundable rental deposits

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities

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

The lease payments include:

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

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

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

Lease modifications

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Group as a lessee (Continued)

Lease modifications (Continued)

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

Foreign currencies

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

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

Government grants

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits

Retirement benefit costs

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

Short-term employee benefits

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

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

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

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

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

Current and deferred tax are recognised in profit or loss.

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

Property, plant and equipment

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets

Intangible assets acquired separately

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

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

Research and development expenditure

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment (including right-of-use assets), intangible assets with finite useful lives and contract costs to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Materials for research and development project

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

Borrowing costs

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

Financial instruments

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

(i) Amortised cost and interest income

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(ii) Financial assets at FVTPL

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

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

Impairment of financial assets

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

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

(ii) Definition of default

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

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

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

(iii) Credit-impaired financial assets

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

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

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

Derecognition of financial assets

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

Financial liabilities at FVTPL

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities at FVTPL (Continued)

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

Convertible redeemable preference shares, which contain redemption features and other embedded derivatives, are designated as financial liabilities at FVTPL. Financial liabilities at FVTPL are measured at fair value. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities and is included in the "fair value loss of convertible redeemable preference shares" line item.

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Critical judgements in applying accounting policies

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

Contractual Arrangements

The Group conducts a substantial portion of the business through the Contractual Arrangements due to the relevant laws and regulatory regime restrictions on foreign ownership of companies engaged in the gene therapy business. The Group does not have any equity interest in Yongtai Ruike. The Directors assessed whether or not the Group has control over Yongtai Ruike based on whether the Group has power over Yongtai Ruike, has rights to variable returns from its involvement with Yongtai Ruike and has the ability to affect those returns through its power over Yongtai Ruike. After assessment, the Directors concluded that the Group has control over Yongtai Ruike as a result of the Contractual Arrangements and other measures and accordingly, the Group consolidated Yongtai Ruike during the years ended 31 December 2021 and 2020.

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

Research and development expenditures

Development costs incurred on the Group's immune cell product pipelines are capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, the Group's intention to complete and use or sell the asset, how the asset will generate probable future economic benefits, the availability of adequate technical, financial and other resources to complete the pipeline, the Group's ability to use or sell the asset and the ability to measure reliably the expenditure during its development. Development costs which do not meet these criteria are expensed when incurred.

The Directors assess the progress of each of the research and development projects and determine whether the criteria are met for capitalisation. During the years ended 31 December 2021 and 2020, all development costs were expensed when incurred.

Key sources of estimation uncertainty

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

Key sources of estimation uncertainty (Continued)

Useful lives and residual value of property, plant and equipment

The Group's management determines the residual value, useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual residual value and useful lives of plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and keen competitions from competitors. Management will increase the depreciation charge where residual value or useful lives are less than previously estimated, or it will write-off or write-down technically obsolete assets.

As at 31 December 2021, the carrying amount of property, plant and equipment of the Group was RMB426,588,000 (31 December 2020: RMB154,492,000), as disclosed in Note 16.

6. SEGMENT INFORMATION

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

Geographical information

The Group did not record any revenue during the year ended 31 December 2021 (year ended 31 December 2020: nil). As at 31 December 2021, the Group's non-current assets excluding financial instruments amounted to RMB518,161,000 (31 December 2020: RMB192,704,000). Majority of the Group's non-current assets are located in the PRC, accordingly, no analysis of geographical information is presented.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

7. OTHER INCOME

	For the year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Income received from provision of cell cryopreservation services (Note a)	**710**	710
Income received from technical service	**132**	–
Interest income on bank deposits	**7,425**	3,581
Interest income from rental deposits	**131**	70
Government grants (Note b)	**9,274**	1,605
Others	**83**	39
Total	**17,755**	6,005

Notes:

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

	For the year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Types of goods or service Cell cryopreservation services	**710**	710
Timing of revenue recognition Over time	**710**	710

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

7. OTHER INCOME (CONTINUED)

Notes: (Continued)

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

	For the year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Government grants related to		
– Research and development activities	**2,760**	1,394
– Machinery	**134**	134
– Listing reward	**6,000**	–
– Others	**380**	77
	9,274	1,605

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

8. OTHER GAINS AND LOSSES, NET

	For the year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Exchange loss, net	**(6,271)**	(40,531)
Impairment loss reversed on an intangible asset (Note)	**1,304**	–
Fair value loss on financial assets at FVTPL, net	**(18,793)**	–
(Loss) gain on disposal of property, plant and equipment	**(94)**	78
Others	**314**	(1)
Total	**(23,540)**	(40,454)

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

9. FINANCE COSTS

	For the year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Interest expenses on lease liabilities	**3,678**	2,389

10. INCOME TAX EXPENSE

	For the year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Current PRC enterprise income tax ("EIT")	**–**	–

Under the law of the PRC on Enterprise Income Tax (the "EIT Law") and implementation regulations of the EIT Law, the statutory tax rate of the Company's PRC subsidiaries is 25% for both years.

Beijing Yongtai has been accredited as a "High and New Technology Enterprise" by the Science and Technology Bureau of Beijing and relevant authorities on 31 October 2018 for a term of three years, and has been registered with the local tax authorities for enjoying the reduced EIT rate of 15% and the unused tax losses could be utilised for 10 years since 2013. During the current year, the accreditation of "High and New Technology Enterprise" of Beijing Yongtai has been extended to December 2024. Accordingly, the profits derived by Beijing Yongtai is subject to EIT rate of 15% (for the year ended 31 December 2020: 15%) for the year ended 31 December 2021.

No provision for PRC enterprise income tax was made as the Group's PRC subsidiaries incurred tax losses for both years.

No Hong Kong Profits Tax was provided for as there was no estimated assessable profit of the Group's Hong Kong subsidiary that was subject to Hong Kong Profits Tax.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

10. INCOME TAX EXPENSE (CONTINUED)

The income tax expense for the year is reconciled to loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	For the year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Loss before tax	**(354,615)**	(439,129)
Tax at the applicable tax rate of 25%	**(88,654)**	(109,782)
Tax effect of non-taxable income	**(1,751)**	(858)
Tax effect of expenses not deductible for tax purpose	**26,947**	65,277
Tax effect of accelerated deduction for research and development expenses (Note)	**(31,227)**	(28,175)
Tax effect of unrecognised tax losses	**94,685**	73,538
	–	–

Note: Pursuant to Caishui 2018 circular No. 99 and Caishui 2021 circular No. 6, Beijing Yongtai, Yongtai Ruike and Beijing Weixiao Biotechnology Development Limited* (北京緯曉生物技術開發有限責任公司) ("Beijing Weixiao") enjoy accelerated deduction of 175% on qualifying research and development expenses from 1 January 2018 to 31 December 2023.

* English name is for identification purpose only

Notes to the Consolidated Financial Statements

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10. INCOME TAX EXPENSE (CONTINUED)

As at 31 December 2021, the Group had unused tax losses of RMB863,713,000 (31 December 2020: RMB484,973,000) which are available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses as at 31 December 2021 and 2020 due to the unpredictability of future profit streams.

The unused tax losses will be expired as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
2022	**478**	478
2023	**2,532**	2,532
2024	**5,221**	5,221
2025	**19,118**	19,118
2026	**46,678**	1,350
2027	**19,958**	19,958
2028	**51,405**	51,405
2029	**122,953**	122,953
2030	**261,958**	261,958
2031	**333,412**	–
Total	**863,713**	484,973

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

11. LOSS AND TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR

	For the year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Loss for the year has been arrived at after charging:		
Staff costs, including directors' remuneration		
– salaries and other allowances	**124,388**	47,337
– retirement benefits	**9,787**	357
– equity-settled share-based payment included in administrative expenses	**8,147**	28,895
– equity-settled share-based payment included in research and development expenses	**40,799**	122,808
Total staff costs	**183,121**	199,397
Total depreciation of property, plant and equipment	**21,736**	12,899
Capitalised in construction in process	**(1,880)**	–
	19,856	12,899
Auditor's remuneration	**2,810**	2,480
Amortisation of intangible assets	**1,149**	883
Short-term lease expense	**781**	878
Cost of materials included in research and development expenses	**27,918**	14,162
Outsourcing service fees included in research and development expenses	**47,897**	85,803

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to the Directors and chief executive of the Company are as follows:

For the year ended 31 December 2021

	Fees RMB'000	Salaries and other allowances RMB'000	Equity-settled share-based payment RMB'000	Retirement benefits RMB'000	Total RMB'000
EXECUTIVE DIRECTORS:					
Mr Tan Zheng	–	3,295	7,281	55	10,631
Mr Jung Hyun Chul	–	1,828	–	55	1,883
Dr Wang Yu	–	3,387	34,147	55	37,589
Sub-total	–	8,510	41,428	165	50,103
NON-EXECUTIVE DIRECTORS:					
Mr Si Xiaobing	–	180	–	19	199
Mr Lu Yuan	–	–	–	–	–
Mr Li Yuezhong (Note a)	–	–	–	–	–
Mr Tao Ran (Note a)	–	–	–	–	–
Sub-total	–	180	–	19	199
INDEPENDENT NON-EXECUTIVE DIRECTORS:					
Professor Wang Yingdian	252	–	–	–	252
Mr Ng Chi Kit	249	–	–	–	249
Ms Peng Sujiu	252	–	–	–	252
Sub-total	753	–	–	–	753
Total	753	8,690	41,428	184	51,055

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12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

For the year ended 31 December 2020

	Fees RMB'000	Salaries and other allowances RMB'000	Equity-settled share-based payment RMB'000	Retirement benefits RMB'000	Total RMB'000
EXECUTIVE DIRECTORS:					
Mr Tan Zheng	–	1,100	21,443	4	22,547
Mr Jung Hyun Chul	–	1,527	–	4	1,531
Dr Wang Yu	–	1,100	100,565	4	101,669
Sub-total	–	3,727	122,008	12	125,747
NON-EXECUTIVE DIRECTORS:					
Mr Si Xiaobing	–	110	–	1	111
Mr Lu Yuan	–	–	–	–	–
Mr Li Yuezhong (Note a)	–	–	–	–	–
Sub-total	–	110	–	1	111
INDEPENDENT NON-EXECUTIVE DIRECTORS:					
Professor Wang Yingdian (Note b)	175	–	–	–	175
Mr Ng Chi Kit (Note b)	175	–	–	–	175
Ms Peng Sujiu (Note b)	175	–	–	–	175
Sub-total	525	–	–	–	525
Total	525	3,837	122,008	13	126,383

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

The non-executive directors' and independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

Notes:

a. Mr Li Yuezhong, has tendered his resignation as a non-executive director of the Company with effect from 23 August 2021, while Mr Tao Ran was appointed as a non-executive director on the same day.

b. Professor Wang Yingdian, Mr Ng Chi Kit and Ms Peng Sujiu were appointed as independent non-executive directors in June 2020.

There were no arrangement under which a director of the Company or the chief executive waived or agreed to waive any remuneration during the year ended 31 December 2021 (during the year ended 31 December 2020: nil).

Certain directors were granted share options, in respect of their services to the Group under the share option scheme of the Company, details are set out in Note 30.

13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included three directors (during the year ended 31 December 2020: two directors), details of whose remuneration are set out in Note 12 above. Details of the remuneration for the year of the remaining two (for the year ended 31 December 2020: three) highest paid employees who are neither a director nor the chief executive are as follows:

	For the year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Salaries and other allowances	**1,489**	2,313
Retirement benefits	**109**	8
Equity-settled share-based payment	**3,335**	8,086
Total	**4,933**	10,407

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For the year ended 31 December 2021

13. FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

The number of the highest paid employees who are not the directors whose remuneration fell within the following bands is as follows:

	For the year ended 31 December	
	2021	2020
HK$2,000,001 to HK$2,500,000	**–**	1
HK$2,500,001 to HK$3,000,000	**1**	–
HK$3,000,001 to HK$3,500,000	**1**	–
HK$4,500,001 to HK$5,000,000	**–**	2
Total	**2**	3

No remuneration was paid by the Group to any of the directors or the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office for the year ended 31 December 2021 (year ended 31 December 2020: nil).

14. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during 2021, nor has any dividend been proposed since the end of the reporting period (year ended 31 December 2020: nil).

15. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	For the year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Loss		
Loss for the year attributable to owners of the Company	**(354,224)**	(439,047)

Notes to the Consolidated Financial Statements

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15. LOSS PER SHARE (CONTINUED)

	For the year ended 31 December	
	2021	2020
	Shares ('000)	Shares ('000)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**514,584**	443,811

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the year ended 31 December 2020 have been determined on the assumptions that the Capitalisation Issue as set out in Note 28(b) had been effective since 1 January 2020.

For the purpose of calculation of diluted loss per share for the year ended 31 December 2021, the share options granted under the pre-IPO share option scheme were not included as their inclusion would result in a decrease in loss per share.

For the purpose of calculation of diluted loss per share for the year ended 31 December 2020, the convertible redeemable preference shares and share options granted under the pre-IPO share option scheme were not included as their inclusion would result in a decrease in loss per share. In addition, for the purpose of calculation of diluted loss per share for the year ended 31 December 2020, the Company's over-allotment options granted pursuant to the listing of the Company's shares on the Stock Exchange were not included as their inclusion would result in a decrease in loss per share.

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16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold lands RMB'000	Leased properties RMB'000	Leasehold improvements RMB'000	Machinery RMB'000	Vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST								
At 1 January 2020	–	43,201	21,401	34,488	712	1,448	–	101,250
Additions	50,146	16,739	7,590	1,844	2,542	701	2,499	82,061
Disposals	–	–	–	(162)	(237)	–	–	(399)
At 31 December 2020	50,146	59,940	28,991	36,170	3,017	2,149	2,499	182,912
Additions	12,906	67,153	–	10,117	–	2,918	200,406	293,500
Extension of lease term (Note)	–	639	–	–	–	–	–	639
Disposals	–	–	(781)	(889)	–	–	–	(1,670)
Transfer	–	–	28,040	23,013	–	–	(51,053)	–
At 31 December 2021	**63,052**	**127,732**	**56,250**	**68,411**	**3,017**	**5,067**	**151,852**	**475,381**
ACCUMULATED DEPRECIATION								
At 1 January 2020	–	(6,042)	(2,549)	(6,561)	(420)	(328)	–	(15,900)
Provided for the year	(1,672)	(5,059)	(2,350)	(3,284)	(178)	(356)	–	(12,899)
Disposals	–	–	–	154	225	–	–	379
At 31 December 2020	(1,672)	(11,101)	(4,899)	(9,691)	(373)	(684)	–	(28,420)
Provided for the year	(2,701)	(11,679)	(2,226)	(3,626)	(684)	(820)	–	(21,736)
Disposals	–	–	559	804	–	–	–	1,363
At 31 December 2021	**(4,373)**	**(22,780)**	**(6,566)**	**(12,513)**	**(1,057)**	**(1,504)**	**–**	**(48,793)**
CARRYING VALUES								
At 31 December 2021	**58,679**	**104,952**	**49,684**	**55,898**	**1,960**	**3,563**	**151,852**	**426,588**
At 31 December 2020	48,474	48,839	24,092	26,479	2,644	1,465	2,499	154,492

Note: In March 2021, the Group signed a supplementary contract with the lessor to extend the lease upon expiry from 6 August 2023 to 31 March 2026 and corresponding adjustment is made to the right-of-use asset for the remeasurement of lease liabilities.

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16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Property, plant and equipment other than construction in progress are depreciated using the straight-line method after taking into account of their estimated residual values with the following useful lives:

Leasehold lands	Over lease terms
Leased properties	Shorter of lease terms and its useful life
Leasehold improvements	Shorter of lease terms and its useful life
Machinery	3 to 10 years
Vehicles	5 years
Office equipment	5 years

The Group leases properties to operate its business. These leases are typically made for fixed terms of 3 to 10 years. Lease terms are negotiated on an individual basis and contain different payment terms and conditions.

The Group's lease agreements did not contain any contingent rent nor any extension, or early termination option or purchase option for lessee.

The total cash outflow for leases amounted to RMB24,686,000 (year ended 31 December 2020: RMB57,889,000) for the year ended 31 December 2021.

The Group regularly entered into short-term leases for properties. As at 31 December 2021 and 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in Note 11.

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17. INTANGIBLE ASSETS

	Acquired clinical trial permission RMB'000	Patent rights RMB'000	Software RMB'000	Total RMB'000
COST				
At 1 January 2020	2,143	8,387	200	10,730
Additions	–	–	487	487
At 31 December 2020	2,143	8,387	687	11,217
Additions	–	–	6,724	6,724
At 31 December 2021	**2,143**	**8,387**	**7,411**	**17,941**
AMORTISATION AND IMPAIRMENT				
At 1 January 2020	(2,143)	(747)	(73)	(2,963)
Charge for the year	–	(839)	(44)	(883)
At 31 December 2020	(2,143)	(1,586)	(117)	(3,846)
Charge for the year	(125)	(839)	(185)	(1,149)
Impairment loss reversed in the year (Note 8)	1,304	–	–	1,304
At 31 December 2021	**(964)**	**(2,425)**	**(302)**	**(3,691)**
CARRYING VALUES				
At 31 December 2021	**1,179**	**5,962**	**7,109**	**14,250**
At 31 December 2020	–	6,801	570	7,371

The above intangible assets have finite lives and are amortised on a straight-line basis. The useful lives of acquired clinical trail permission, patent rights and software are 10 years, 10 years and 5 to 10 years, respectively. The useful lives of patent rights were determined by the management taking into account of the period over which the assets are expected to be available for use by the Group and the stability of the industry in which the assets operate.

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18. CONTRACT COSTS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Costs to fulfill contracts	**1,232**	1,488
Analysed as:		
Non-current	**976**	1,232
Current	**256**	256
	1,232	1,488

Movements in contract costs

	RMB'000
At 1 January 2020	1,744
Release to other expenses	(256)
At 31 December 2020	1,488
Release to other expenses	(256)
At 31 December 2021	**1,232**

Contract costs capitalised relate to initial costs for cell extraction from human bodies and preparation for cryopreservation at the beginning of cell cryopreservation services as described in Note 7. These costs are amortised over the service periods. There was no impairment recognised in relation to the capitalised costs during the year ended 31 December 2021 (year ended 31 December 2020: nil).

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19. FINANCIAL ASSETS AT FVTPL

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Investment in the Tasly Fund (Note i)	**111,652**	131,969
Investment in the Shaoxing Fund (Note ii)	**51,524**	–
Total	**163,176**	131,969

Notes:

i. In December 2020, the Company entered into a subscription agreement with Tasly Bioscience Fund Limited, in relation to the subscription of limited partner interests in Tasly Bioscience Fund, L.P. (the "Tasly Fund"). The aggregate subscription amount was HK$156.8 million. Subject to the terms of the limited partnership agreement, the initial term of the Tasly Fund shall be five years and each of the partners will be entitled to share the profit or loss attributable to a project investment in proportion to their respective paid capital commitment to fund the acquisition cost of such project investment. The general partner, Tasly Bioscience Fund Limited, has exclusive power over the management and control of the operation, investment affairs and other matters relating to the Tasly Fund.

The investment was accounted for as financial assets at FVTPL under IFRS 9. The total subscription amount of HK$156,800,000 (equivalent to RMB131,969,000) had been paid as at 31 December 2020. In June 2021, the Tasly Fund has made the investment of HK$146,220,000 (equivalent to RMB119,769,000) to acquire the 100% ordinary shares of Paul International Investment Limited ("Paul International") which held 12.3% ordinary shares of a bio-science company based in the Republic of Korea ("Korea") ("Target A").

The fair value of investment in the Tasly Fund is as follows:

	Investment in the Tasly Fund HK$'000	**Shown in the consolidated financial statements as** RMB'000
As 1 January 2020	–	–
Addition	156,800	131,969
Change in fair value	–	–
At 31 December 2020	156,800	131,969
Change in fair value (Note)	(20,239)	(20,317)
At 31 December 2021	**136,561**	**111,652**

Note: Change in fair value presented in RMB also includes the exchange effect on translation from HK$ balances into RMB.

As at 31 December 2021, the fair value of investment in the Tasly Fund was determined by the Directors with assistance from an independent qualified professional valuer not connected to the Group, which has appropriate qualifications and experiences in valuation of similar instruments.

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19. FINANCIAL ASSETS AT FVTPL (CONTINUED)

Notes: (Continued)

i. (Continued)

The Tasly Fund engages in investment management, its operation purely depends on the investment it held. Its long-term investment was equity holding in Paul International, and the valuation method was described as below. The valuations of the remaining assets and liabilities of the Tasly Fund, other than long term investment, are carried out by reference to their book values.

Backsolve model was used to determine the underlying equity value of Target A. In arriving at assessed value of the preferred shares and ordinary shares of Target A as at the valuation date, hybrid method was adopted to allocate the equity value among the preferred shares and ordinary shares.

Key valuation assumptions and inputs used to determine the fair value of the equity holding in Target A as at 31 December 2021 are as follows:

Time to IPO	**3.0 year**
Time to the redemption event	**3.0 year**
Risk-free interest rate	**0.97%**
Volatility	**51%**
Possibilities under redemption scenario	**25%**
Possibilities under liquidation scenario	**25%**
Possibilities under IPO scenario	**50%**

ii. In February 2021, the Company's subsidiary, Beijing Yongtai, entered into a subscription agreement in relation to the subscription of limited partner interests in Shaoxing Yongsheng Equity Investment Partnership (LP)* (紹興永晟股權投資合夥企業(有限合夥)) (the "Shaoxing Fund"). Subject to the terms of the limited partnership agreement, the initial term of the Shaoxing Fund shall be seven years and each of the partners will be entitled to share the profit or loss attributable to a project investment in proportion to their respective paid capital commitment to fund the acquisition cost of such project investment. The general partner, Tianjin Jinxin Health Technology Co., Ltd.* (天津金新健康科技有限公司), has exclusive power over the management and control of the operation, investment affairs and other matters relating to the Shaoxing Fund.

The subscription amount of RMB50,000,000 had been paid in April 2021. The investment was accounted for as financial assets at FVTPL under IFRS 9. The Shaoxing Fund made the investment of RMB500,000,000 to subscribe convertible bonds of a company principally engaged in gene testing services in Mainland China ("Target B"). The convertible bonds carry interests of 6% per annum and will mature in May 2024. The Shaoxing Fund may exercise its conversion option during the term of the investment and the conversion price is subject to negotiation between the Shaoxing Fund and Target B with reference to the then fair value.

* English names are for identification purpose only.

The fair value of investment in the Shaoxing Fund is as follows:

	Investment in the Shaoxing Fund RMB'000
As 1 January 2021	**–**
Addition	**50,000**
Change in fair value	**1,524**
At 31 December 2021	**51,524**

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19. FINANCIAL ASSETS AT FVTPL (CONTINUED)

Notes: (Continued)

ii. (Continued)

As at 31 December 2021, the fair value of investment in the Shaoxing Fund was determined by the Directors with assistance from an independent qualified professional valuer not connected to the Group, which has appropriate qualifications and experiences in valuation of similar instruments.

The Shaoxing Fund engages in investment management, its operation purely depends on the investment it held. Its long-term investment was convertible bonds held in Target B, the fair value of the convertible bonds was determined using discounted cash flow method based on a discount rate of 5.20%. The valuations of the remaining assets and liabilities of the Shaoxing Fund, other than long term investment, are carried out by referrence to their book values.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Prepayments to suppliers and service providers	**31,779**	30,779
Prepayments for management fee of investment fund	**–**	2,693
Value added tax recoverable	**33,663**	20,293
Prepayments for purchase of property, plant and equipment	**38,642**	9,316
Rental deposits	**4,152**	1,833
Other deposits	**175**	364
Advances to employees	**600**	219
Prepayment for licensed-in technology (Note)	**18,232**	–
Others	**993**	51
	128,236	65,548
Analysed as:		
Current	**47,737**	34,106
Non-current	**80,499**	31,442
	128,236	65,548

Note: On 11 January 2021, the Company, entered into a license agreement with T-Cure Bioscience, Inc. ("T-Cure"), pursuant to which T-Cure agreed to grant an exclusive license to the Company to use the patent rights and technology of T-Cure for the development, manufacturing and commercialisation of licensed products in Korea, the PRC, including Hong Kong and Macau, but excluding Taiwan in the field of immunotherapy for renal cell carcinoma. Up to 31 December 2021, the transfer of the relevant technologies had not been completed and the payments made by the Group of US$2,815,000 (equivalent to RMB18,232,000) was recorded as a prepayment.

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21. MATERIALS FOR RESEARCH AND DEVELOPMENT PROJECT

Materials for research and development project mainly include reagent and consumable materials for research and development purposes. No impairment was recognised during the year ended 31 December 2021 (year ended 31 December 2020: nil).

22. BANK BALANCES AND CASH

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Bank balances and cash		
Cash on hand	**1**	146
Bank balances	**353,340**	845,240
	353,341	845,386
Time deposits with original maturity over three months	**101,940**	–
Cash and cash equivalents as stated in the consolidated statement of cash flows	**251,401**	845,386
Bank balances and cash	**353,341**	845,386
Bank balances and cash denominated in:		
RMB	**346,992**	492,909
HK$	**2,918**	350,591
South-Korean Won ("KRW")	**169**	1,886
US$	**3,262**	–
	353,341	845,386

Bank balances carry interest at market rates which range from 0.001% to 0.38% (31 December 2020: 0.001% to 0.35%) per annum as at 31 December 2021. Bank deposits with original maturity over three months earn interest at market rates ranging from 2.58% to 2.76% per annum as at 31 December 2021.

Notes to the Consolidated Financial Statements

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23. CONTRACT LIABILITIES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Provision of cell cryopreservation services	**3,404**	4,114
Current	**710**	710
Non-current	**2,694**	3,404
	3,404	4,114

As at 1 January 2020, contract liabilities amounted to RMB4,824,000.

Income relating to cell cryopreservation services is recognised over time although the customer pays up-front in full for these services. A contract liability is recognised for consideration relating to the cell cryopreservation services at the time of the initial sales transaction and is released over the service period.

Income from cell cryopreservation services that was included in the contract liabilities balance at the beginning of the year was RMB710,000 (year ended 31 December 2020: RMB710,000) for the year ended 31 December 2021.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) at year end and the expected timing of recognising income are as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Within one year	**710**	710
Within a period of more than one year but not exceeding two years	**710**	710
Within a period of more than two years but not exceeding five years	**1,868**	2,113
Within a period of more than five years	**116**	581
	3,404	4,114

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24. TRADE AND OTHER PAYABLES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Trade payables	**32,152**	5,840
Payables for acquisition of property, plant and equipment	**94,950**	77
Accrued salaries and other allowances	**17,537**	5,757
Government grants repayable (Note 26)	**–**	1,837
Listing expenses payable	**–**	5,038
Payables for acquisition of intangible assets	**2,637**	–
Payables for service expense	**4,704**	381
Others	**2,726**	1,234
	154,706	20,164

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Within 1 year	**32,152**	5,784
1 year to 2 years	**–**	25
2 year to 3 years	**–**	11
More then 3 years	**–**	20
	32,152	5,840

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25. LEASE LIABILITIES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Lease liabilities payable:		
Within one year	**20,209**	7,204
Within a period of more than one year but not exceeding two years	**20,717**	8,060
Within a period of more than two years but not exceeding five years	**62,641**	22,932
Within a period of more than five years	**7,487**	12,864
	111,054	51,060
Less: Amounts due for settlement within one year shown under current liabilities	**(20,209)**	(7,204)
Amounts due for settlement after one year shown under non-current liabilities	**90,845**	43,856

The incremental borrowing rates applied by the relevant group entities range from 4.91% to 6.37% (31 December 2020: 4.91% to 6.37%) per annum for lease liabilities as at 31 December 2021.

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

26. DEFERRED GOVERNMENT GRANTS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Current	**4,476**	3,539
Non-current	**870**	2,504
	5,346	6,043

26. DEFERRED GOVERNMENT GRANTS (CONTINUED)

Movements in deferred government grants

	Government grants related to Research and development activities		
	Machinery RMB'000		**Total** RMB'000
At 1 January 2020	1,138	6,433	7,571
Release of deferred government grants to profit or loss	(134)	(1,394)	(1,528)
At 31 December 2020	1,004	5,039	6,043
Government grants received	–	360	360
Transfer from other payables (Note)	–	1,837	1,837
Release of deferred government grants to profit or loss	(134)	(2,760)	(2,894)
At 31 December 2021	**870**	**4,476**	**5,346**

Note: In 2018, the Group received a government subsidy of RMB3,600,000 in relation to research and development of 6B11-OCIK product. The subsidy can be used for the first phase of clinical research on 6B11-OCIK product. In June 2019, the Group determined to put on hold the research and development of 6B11-OCIK product and the remaining unused subsidy of RMB1,837,000 is repayable to local government and was transferred to other payables. In September 2021, the Group received a confirmation from local government which waived all the conditions attaching to the subsidy. The subsidy was then recognised in profit or loss immediately.

27. CONVERTIBLE REDEEMABLE PREFERENCE SHARES

Issue of convertible redeemable preference shares

On 3 June 2019, Poly Platinum Enterprises Limited, an independent third party, entered into a preference shares subscription agreement (the "Preference Shares Agreement") with the Company in relation to a subscription of 5,000 convertible redeemable preference shares (the "Preference Shares") of the Company at consideration of HK$200,000,000. The Preference Shares Agreement was supplemented by a first supplemental subscription agreement dated 12 June 2019. The consideration was fully settled on 12 June 2019. The Preference Shares are secured by certain shareholders' shares in the Company and guaranteed by certain shareholders.

On 23 August 2019, a written resolution of the shareholders of the Company was passed, pursuant to which each Preference Share of the Company of US$1.00 each was sub-divided into 1,000 shares of US$0.001 each. Following the subdivision, the number of the Preference Shares was increased from 5,000 of US$1.00 each into 5,000,000 of US$0.001 each.

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27. CONVERTIBLE REDEEMABLE PREFERENCE SHARES (CONTINUED)

Issue of convertible redeemable preference shares (Continued)

Upon completion of the IPO on 10 July 2020, the Preference Shares were automatically converted into 5,000,000 ordinary shares of the Company.

Presentation and Classification

The Group has designated the Preference Shares as financial liabilities at FVTPL. The fair value change of the Preference Shares is recognised in profit or loss except for the portion attributable to credit risk change which will be recognised in other comprehensive income, if any. The Directors considered that the credit risk change on the financial liabilities that drive the fair value change of the financial liabilities at FVTPL during the year ended 31 December 2020 are immaterial.

The fair value of the Preference Shares is as follows:

	Preference Shares HK$'000	Shown in the consolidated financial statements as RMB'000
At 1 January 2020	192,131	172,107
Change in fair value (Note)	17,393	16,984
Conversion of Preference Shares upon the IPO	(209,524)	(189,091)
At 31 December 2020	–	–

Note: Change in fair value presented in RMB also includes the exchange effect on translation from HK$ balances into RMB.

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28. SHARE CAPITAL

	Number of Shares	Share capital US$
Ordinary shares		
Ordinary shares of US$0.001 each		
Authorised		
At 1 January 2020	4,000,000,000	4,000,000
Reclassification and re-designation of Preference Shares to ordinary shares (Note a)	1,000,000,000	1,000,000
At 31 December 2020 and 2021	**5,000,000,000**	**5,000,000**
Issued and fully paid		
At 1 January 2020	100,000,000	100,000
Conversion of Preference Shares into ordinary shares (Note 27)	5,000,000	5,000
Issue of shares pursuant to the Capitalisation Issue (Note b)	295,000,000	295,000
Issue of shares upon the IPO (Note c)	100,000,000	100,000
Issue of shares upon the exercise of the over-allotment options (Note d)	14,584,000	14,584
At 31 December 2020 and 2021	**514,584,000**	**514,584**

	31 December 2021 RMB'000	2020 RMB'000
Presented as	**3,576**	3,576

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28. SHARE CAPITAL (CONTINUED)

Notes:

a. On 6 June 2020, the Company re-designated and reclassified 1,000,000,000 Preference Shares into ordinary shares.

b. On 10 July 2020, the Company allotted and issued a total of 295,000,000 ordinary shares, credited as fully paid, at par value to the then shareholders of the Company before the IPO (the "Capitalisation Issue"), resulting in an increase in issued share capital of US$295,000 (equivalent to RMB2,063,000) and a corresponding debit to share premium.

c. On 10 July 2020, 100,000,000 ordinary shares with par value of US$0.001 each of the Company were issued at HK$11.00 by way of public offer resulting in an increase of the issued share capital of US$100,000 (equivalent to RMB699,000). An amount of RMB992,029,000, being the excess of the consideration received of HK$1,100,000,000 (equivalent to RMB992,728,000) over the par value of the ordinary shares of RMB699,000, was credited to share premium. On the same date, the Company's shares were listed on the Stock Exchange.

d. The international underwriters partially exercised the over-allotment options, pursuant to which the Company issued additional 14,584,000 ordinary shares of the Company on 5 August 2020 at the offer price of HK$11 per share resulting in an increase in issued share capital of US$14,584 (equivalent to RMB102,000). An amount of RMB144,281,000, being the excess of the consideration received of HK$160,424,000 (equivalent to RMB144,383,000) over the par value of the ordinary shares of RMB102,000, was credited to share premium.

29. RETIREMENT BENEFITS PLANS

The PRC employees of the Group are members of a state-managed retirement benefits plan operated by the government of the PRC. The PRC subsidiaries of the Company are required to contribute a specified percentage of payroll costs to the retirement benefits plan to fund the employee benefits. The only obligation of the Group with respect to the retirement benefits plan is to make the specified contributions. The retirement benefits cost charged to profit or loss for the year ended 31 December 2021 amounted to RMB9,787,000 (year ended 31 December 2020: RMB357,000).

At 31 December 2021 and 2020, the Group had no forfeited contributions under the above retirement benefit scheme which may be used by the Group to reduce the existing level of contributions. There were also no forfeited contributions available at 31 December 2021 and 2020 under such scheme which may be used by the Group to reduce the contribution payable in future years.

30. SHARE-BASED PAYMENT TRANSACTIONS

Pursuant to a written resolution of the Directors on 31 December 2019, a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") of the Company was approved. The Pre-IPO Share Option Scheme was established to encourage the participants to contribute to the Group for the long-term benefits of the Group. The maximum number of shares that may be granted under the Pre-IPO Share Option Scheme shall not exceed 37,500,000 shares, representing approximately 7.50% of the total number of shares in issue immediately upon completion of the IPO.

The Pre-IPO Share Option Scheme shall take effect subject to and is conditional upon:

(a) the passing of the resolutions by the shareholders of the Company to approve and adopt the rules of the Pre-IPO Share Option Scheme;

(b) the listing committee of the Stock Exchange granting approval of listing of, and permission to deal in, the shares to be allotted and issued pursuant to the exercise of the subscription rights attaching to the Pre-IPO Share Option Scheme; and

(c) the commencement of dealings in the ordinary shares of the Company on the Stock Exchange.

The abovementioned condition (a), condition (b) and condition (c) were satisfied on 6 June 2020, 9 July 2020 and 10 July 2020, respectively.

On 31 December 2019, the Group offered 7 senior management and 25 eligible employees (collectively, the "Grantees") and the Grantees accepted 37,500,000 share options (the "Pre-IPO Share Options"). Options may be exercised at any time from vesting date to the seventh anniversary of the date of offer.

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30. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

The details of the Pre-IPO Share Options granted to the senior management and employees of the Group are as follows:

Type	Date of offer	Number of shares subject to the option	Vesting proportion	Vesting period	Exercise price per share
Executive director: ("Share Option A")					
Mr Tan Zheng	31/12/2019	5,000,000	50%	2019.12.31-2020.12.31	50% of the global offering price (the "Offer Price")
			50%	2019.12.31-2021.12.31	50% of the Offer Price
Dr Wang Yu	31/12/2019	23,450,000	50%	2019.12.31-2020.12.31	50% of the Offer Price
			50%	2019.12.31-2021.12.31	50% of the Offer Price
Senior management: ("Share Option B")	31/12/2019	3,500,000	30%	2019.12.31-2020.12.31	50% of the Offer Price
			30%	2019.12.31-2021.12.31	50% of the Offer Price
			40%	2019.12.31-2022.12.31	50% of the Offer Price
Employees: ("Share Option C")	31/12/2019	2,550,000	50%	2019.12.31-2020.12.31	50% of the Offer Price
			50%	2019.12.31-2021.12.31	50% of the Offer Price
Employees: ("Share Option D")	31/12/2019	3,000,000	30%	2019.12.31-2020.12.31	50% of the Offer Price
			30%	2019.12.31-2021.12.31	50% of the Offer Price
			40%	2019.12.31-2022.12.31	50% of the Offer Price
Total		37,500,000			

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30. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

The following table discloses movements of the Pre-IPO Share Options. 34,150,000 (31 December 2020: 17,225,000) options were exercisable as at 31 December 2021.

Category	**Outstanding as at 1 January 2021**	**Grant during the year**	**Forfeited due to resignation during the year**	**Exercised during the year**	**Outstanding as at 31 December 2021**
Share Option A	**28,450,000**	**–**	**–**	**–**	**28,450,000**
Share Option B	**3,500,000**	**–**	**(500,000)**	**–**	**3,000,000**
Share Option C	**2,550,000**	**–**	**–**	**–**	**2,550,000**
Share Option D	**2,750,000**	**–**	**(700,000)**	**–**	**2,050,000**
	37,250,000	**–**	**(1,200,000)**	**–**	**36,050,000**

Category	Outstanding as at 1 January 2020	Grant during the year	Forfeited due to resignation during the year	Exercised during the year	Outstanding as at 31 December 2020
Share Option A	28,450,000	–	–	–	28,450,000
Share Option B	3,500,000	–	–	–	3,500,000
Share Option C	2,550,000	–	–	–	2,550,000
Share Option D	3,000,000	–	(250,000)	–	2,750,000
	37,500,000	–	(250,000)	–	37,250,000

The fair values of Share Option A, Share Option B, Share Option C and Share Option D, which were initially determined at the date of offer using the Binomial Option Pricing Model, are HK$178,945,000 (equivalent to RMB160,296,000), HK$22,330,000 (equivalent to RMB20,003,000), HK$14,573,000 (equivalent to RMB13,054,000), and HK$17,727,000 (equivalent to RMB15,880,000), respectively.

A written resolution by the shareholders of the Company was passed on 6 June 2020 (the "Grant Date") to approve and adopt the Pre-IPO Share Option Scheme and the fair values of the Pre-IPO Share Options were revised based on Grant Date fair values as below.

The fair values of Share Option A, Share Option B, Share Option C and Share Option D determined at the Grant Date using the Binomial Option Pricing Model are HK$178,847,000 (equivalent to RMB163,763,000), HK$22,321,000 (equivalent to RMB20,438,000), HK$14,842,000 (equivalent to RMB13,590,000), and HK$17,385,000 (equivalent to RMB15,919,000), respectively.

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For the year ended 31 December 2021

30. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

The following assumptions were used to calculate the fair values of the Pre-IPO Share Options as at Grant Date:

	Share Option A	Share Option B	Share Option C	Share Option D
Grant Date share price (Note)	HK$10.1	HK$10.1	HK$10.1	HK$10.1
Exercise price	HK$5.3	HK$5.3	HK$5.3	HK$5.3
Expected volatility	52.3%	52.3%	52.3%	52.3%
Option life	6.6 years	6.6 years	6.6 years	6.6 years
Dividend yield	0%	0%	0%	0%
Risk-free interest rate	0.5%	0.5%	0.5%	0.5%
Sub-optional factor	2.8	2.2	2.8	2.2

Note: The Group has used the backsolve method to determine the underlying equity value of the Company and adopted the equity value allocation model to determine the fair value of the ordinary shares based on the issue price of the Preference Shares. Number of shares in issue used in calculation of share price has taken into account of the Capitalisation Issue as set out in Note 28(b).

The expected volatility measured at the standard deviation is based on the historical data of the daily share price movement of comparable companies. The fair value of an option varies with different variables of certain subjective assumptions.

The Group recognised an equity-settled share-based payment expense of RMB48,946,000 (year ended 31 December 2020: RMB151,703,000) in respect of the Pre-IPO Share Options for the year ended 31 December 2021.

31. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to equity holders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes lease liabilities as disclosed in Note 25, net of cash and cash equivalents, and equity attributable to owners of the Group, comprising share capital and reserves.

The Directors review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through new share issues as well as the issue of new debts.

Notes to the Consolidated Financial Statements

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32. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Financial assets		
Amortised cost	**358,661**	847,853
Financial assets at FVTPL	**163,176**	131,969
	521,837	979,822
Financial liabilities		
Amortised cost	**137,169**	14,407

Financial risk management objectives and policies

The Group's major financial instruments include deposits and other receivables, bank balances and cash, financial assets at FVTPL, trade and other payables and lease liabilities. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk, interest risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Market risk

(i) Currency risk

As at the end of the reporting period, the Group had the following monetary items, which are bank balances and cash, deposits and other receivables, trade and other payables, financial assets at FVTPL denominated in currencies other than RMB.

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Assets		
HK$	**114,570**	482,560
KRW	**318**	2,045
US$	**3,262**	–
Liabilities		
HK$	**–**	5,038
KRW	**167**	133

Sensitivity analysis

The Group were primarily subject to foreign currency risk from the movement of the exchange rates between RMB and HK$. At the end of the reporting period, if the exchange rate of RMB had been weaken against HK$ by 5% and all other variables were held constant, the Group's post-tax loss would decrease as follows. For a 5% strengthening of RMB against HK$, there would be an opposite impact on the post-tax loss for the year.

	For the year ended 31 December	
	2021	2020
	RMB'000	RMB'000
HK$	**5,729**	23,876

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate lease liabilities (Note 25) and time deposits (Note 22). The Group is also exposed to cash flow interest risk in relation to variable-rate bank balances (Note 22) which carry prevailing market interests. The Group currently does not have a specified policy to manage its interest rate risk but will closely monitor their interest rate risk exposure in the future.

No sensitivity analysis on interest rate risk is presented as the management considers the sensitivity on interest rate risk on bank balances is insignificant.

(iii) Other price risk

The Group invested in certain funds for investing in investees operating in bio-science industry sector as detailed in Note 19. The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise. Sensitivity analyses for those investment with fair value measurement were disclosed in Note 33.

Credit risk and impairment assessment

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position (including bank balances, deposits and other receivables). The Group does not hold any collaterals or other credit enhancement to cover its credit risks associated with its financial assets.

In order to minimise the credit risk, the Group monitors the exposure to credit risk on an on-going basis. The Group performed impairment assessment for each individual debt under ECL model at the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	12m ECL
Watch list	Debtor frequently usually repays after due dates but settle the amounts in full	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

Bank balances

The Group's bank balances are placed with state-owned banks or commercial banks with high credit ratings in the Mainland China, Hong Kong and international banks in the Republic of Korea with aggregate gross carrying amounts RMB353,340,000 (31 December 2020: RMB845,240,000) as at 31 December 2021. Therefore, the credit risks on bank balances are limited.

The Group has concentration risk with approximately 59.2%,12.7% and 11.6% of the Group's bank balances placed with bank A, bank B and bank C at 31 December 2021 (31 December 2020: 47.3%, 29.8% and 16.9% of the Group's bank balances placed with bank A, bank D and bank C).

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For the year ended 31 December 2021

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Deposits and other receivables

The Group assessed the ECL for its deposits and other receivables individually based on internal credit rating which, in the opinion of the Directors, there is no significant increase in credit risk since initial recognition. ECL is estimated based on historical observed default rates of debtors and forward-looking information that is available without undue cost or effort. No loss allowance was recognised for deposits and other receivables with gross carrying amounts of RMB5,320,000 (31 December 2020: RMB2,467,000) as at 31 December 2021, as the counterparties involved are considered with limited credit risk and the ECL involved is not material.

Other than the concentration of credit risks of bank balances mentioned above, the Group does not have any other significant concentration of credit risk.

Liquidity risk

In management of the liquidity risk, the Group monitors and maintains levels of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on shareholders' investment as a significant source of liquidity.

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Interest rates %	On demand RMB'000	Within 180 days RMB'000	181 days to 365 days RMB'000	1-5 years RMB'000	>5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2021								
Trade and other payables	N/A	–	137,169	–	–	–	137,169	137,169
Lease liabilities	4.91-6.37	–	13,218	13,094	95,007	7,787	129,106	111,054
		–	150,387	13,094	95,007	7,787	266,275	248,223

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32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	Interest rates %	On demand RMB'000	Within 180 days RMB'000	181 days to 365 days RMB'000	1-5 years RMB'000	>5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2020								
Trade and other payables	N/A	1,837	12,570	–	–	–	14,407	14,407
Lease liabilities	4.91-6.37	–	4,624	5,300	37,518	13,777	61,219	51,060
		1,837	17,194	5,300	37,518	13,777	75,626	65,467

33. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group determines the appropriate valuation techniques and inputs for fair value measurements and works closely with the qualified valuer to establish the appropriate valuation techniques and inputs to the model.

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

	Note	Fair value as at 31/12/2021 RMB'000	31/12/2020 RMB'000	Fair value hierarchy	Valuation techniques and key inputs
Investment in the Tasly Fund	19	**Set out below**	131,969	Level 2	Market approach, based on recent transaction price.

Notes to the Consolidated Financial Statements

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33. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

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

	Note	Fair value as at 31/12/2021 RMB'000	31/12/2020 RMB'000	Fair Value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable input to fair value
Investment in the Tasly Fund	19	**111,652**	Set out above	Level 3	Set out in Note 19	Volatility of 51%	Note i
Investment in the Shaoxing Fund	19	**51,524**	–	Level 3	Set out in Note 19	Discount rate of 5.20%	Note ii

Notes:

i. A slight increase in the expected volatility used in isolation would result in a slight decrease in the fair value measurement of the investment, and vice versa. If the volatility was 10% higher to 61% or 10% lower to 41% while holding all other variables constant, the carrying amount of investment in the Tasly Fund would decrease by RMB113,000 or increase by RMB267,000 as at 31 December 2021.

ii. A slight increase in the discount rate used in isolation would result in a slight decrease in the fair value measurement of the investment, and vice versa. If the discount rate was 0.5% higher to 5.7% or 0.5% lower to 4.7% while holding all other variables constant, the carrying amount of investment in the Shaoxing Fund would decrease by RMB583,000 or increase by RMB592,000 as at 31 December 2021.

Details of reconciliation of Level 3 fair value measurement for the financial assets at FVTPL are set out in Note 19.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position of the Group approximate their respective fair values.

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For the year ended 31 December 2021

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Lease liabilities RMB'000	**Preference Shares** RMB'000	**Accrued share issue costs for IPO** RMB'000	**Total** RMB'000
At 1 January 2020	39,000	172,107	2,769	213,876
Financing cash flows	(6,865)	–	(75,558)	(82,423)
Inception of lease	16,536	–	–	16,536
Interest expenses recognised	2,389	–	–	2,389
Fair value changes	–	16,984	–	16,984
Conversion of Preference Shares upon the IPO	–	(189,091)	–	(189,091)
Transaction costs attributable to issue of shares	–	–	72,789	72,789
At 31 December 2020	51,060	–	–	51,060
Financing cash flows	(10,999)	–	–	(10,999)
Inception of lease	66,676	–	–	66,676
Modification of lease	639	–	–	639
Interest expenses recognised	3,678	–	–	3,678
At 31 December 2021	**111,054**	**–**	**–**	**111,054**

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35. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The emoluments of key management during the year are as follows:

	For the year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Salaries and other allowances	**15,678**	7,991
Retirement benefits	**352**	21
Equity-settled share-based payment	**45,430**	130,094
	61,460	138,106

36. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries at 31 December 2021 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interests attributable to the Company 31 December				Principal activities
			2021		2020		
			Directly	Indirectly	Directly	Indirectly	
Hamiyang Ltd.	British Virgin Island	Registered capital of US$50,000 and fully paid share capital of US$1	**100%**	**–**	100%	–	Investment holding
JY Research Holdings Limited	Hong Kong	Issued and fully paid share capital of HK$1	**–**	**100%**	–	100%	Investment holding
Ankang Ruihe Biomedical Technology (Beijing) Co Ltd* (安康瑞和生物醫藥技術(北京)有限公司) (Note a)	PRC	Registered capital of HK$1,000,000,000 and paid-in capital of HK$445,552,000	**–**	**100%**	–	100%	Investment holding
Beijing Yongtai (Note b)	PRC	Registered capital of RMB600,000,000 and paid-in capital of RMB340,000,000	**–**	**100%**	–	100%	Biomedical technology development
Shanghai Yongtai Immunobiological Products Co Ltd* (上海永泰免疫生物製品有限公司) (Note b)	PRC	Registered capital of RMB10,000,000 and paid-in capital of RMB2,900,000	**–**	**100%**	–	100%	Inactive

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36. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interests attributable to the Company 31 December				Principal activities
			2021		2020		
			Directly	Indirectly	Directly	Indirectly	
Beijing Weixiao (Note b)	PRC	Registered capital of RMB26,000,000 and paid-in capital of RMB5,000,000	–	**70%**	–	70%	Biomedical technology development
Guangzhou Yongrui Immunobiological Technology Co Ltd* (廣州永瑞免疫生物製品科技有限公司) (Note b)	PRC	Registered capital of RMB10,000,000 and paid-in capital of nil	–	**100%**	–	100%	Inactive
Yongtai Ruike (Note d)	PRC	Registered capital of RMB50,000,000 and paid-in capital of RMB100,000	–	**100%**	–	100%	Biomedical technology development
Shanghai Yongtai Ruike Immunobiological Technology Co Ltd* (上海永泰瑞科生物製品科技有限公司) (Note b&c)	PRC	Registered capital of RMB10,000,000 and paid-in capital of nil	–	**100%**	–	–	Inactive
Zhejiang Yongrui Immunobiological Technology Co Ltd* (浙江永瑞生物製品科技有限公司) (Note b&c)	PRC	Registered capital of RMB30,000,000 and paid-in capital of RMB11,000,000	–	**100%**	–	–	Inactive
Shenzhen Yongtai Biological Products Co., Ltd.* (深圳永泰生物制品有限公司) (Note b&c)	PRC	Registered capital of RMB2,000,000 and paid-in capital of nil	–	**68%**	–	–	Inactive
Shenzhen Yongrui Biological Products Co., Ltd.* (深圳永瑞生物制品有限公司) (Note b&c)	PRC	Registered capital of RMB300,000,000 and paid-in capital of nil	–	**100%**	–	–	Inactive

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36. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (CONTINUED)

Notes:

a. The entity is a wholly foreign owned enterprise established in the PRC with limited liability.

b. These entities were established in the PRC with limited liability.

c. These entities were established during the year ended 31 December 2021.

d. As described in Note 3, the Company does not have directly or indirectly legal ownership in equity of Yongtai Ruike. Nevertheless, under certain Contractual Arrangements entered into with Beijing Yongtai, Yongtai Ruike and its equity holders, the Company and its legal owned subsidiary have power over Yongtai Ruike, have rights to variable returns from its involvement with Yongtai Ruike and have the ability to affect those returns through power over Yongtai Ruike and are considered to have control over Yongtai Ruike. Consequently, the Company regards Yongtai Ruike as an indirect subsidiary.

* English names are for identification purpose only.

None of the subsidiaries had issued any debt securities during the year or at the end of the year (31 December 2020: nil).

37. CAPITAL COMMITMENTS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Capital expenditure in respect of the acquisition of equipment, machineries and leasehold improvements contracted for but not provided in the consolidated financial statements	**653,734**	37,516

38. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Information about the financial position of the Company at the end of the reporting period includes:

	2021	2020
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**638,673**	238,683
Equipment	**3,420**	5,048
Prepayments, deposits and other receivables	**18,373**	149
Amount due from a subsidiary	**271,826**	151,748
Financial assets at FVTPL	**111,652**	131,969
	1,043,944	527,597

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

	2021 RMB'000	2020 RMB'000
CURRENT ASSETS		
Prepayments, deposits and other receivables	**131**	2,755
Bank balances and cash	**244,171**	794,973
	244,302	797,728
CURRENT LIABILITIES		
Other payables	**1,617**	6,105
Lease liabilities	**939**	1,208
	2,556	7,313
NET CURRENT ASSETS	**241,746**	790,415
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,285,690**	1,318,012
NON-CURRENT LIABILITY		
Lease liabilities	**152**	1,145
NET ASSETS	**1,285,538**	1,316,867
CAPITAL AND RESERVES		
Share capital	**3,576**	3,576
Reserves	**1,281,962**	1,313,291
TOTAL EQUITY	**1,285,538**	1,316,867

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

Movements in the Company's reserves

	Share premium RMB'000	Share option reserve RMB'000	Accumulated loss RMB'000	Total RMB'000
At 1 January 2020	159,458	405	(4,327)	155,536
Loss and total comprehensive expense for the year	–	–	(236,988)	(236,988)
Conversion of Preference Shares upon the IPO	189,056	–	–	189,056
Issue of shares pursuant to the Capitalisation Issue	(2,063)	–	–	(2,063)
Issue of shares upon the IPO and exercise of the over-allotment options	1,136,310	–	–	1,136,310
Transaction costs attributable to issue of shares	(80,263)	–	–	(80,263)
Recognition of equity-settled share-based payment	–	151,703	–	151,703
At 31 December 2020	1,402,498	152,108	(241,315)	1,313,291
Loss and total comprehensive expense for the year	–	–	(80,275)	(80,275)
Recognition of equity-settled share-based payment	–	48,946	–	48,946
At 31 December 2021	**1,402,498**	**201,054**	**(321,590)**	**1,281,962**

39. EVENT AFTER THE REPORTING PERIOD

In March 2022, the Company entered into a framework agreement with an investor pursuant to which the Company is eligible to receive a financing not less than US$70 million in the form of convertible bonds from entities controlled by the investor provided certain conditions are met.

Definitions

"6B11"	the monoclonal anti-idiotypic antibody prepared by Beijing Weixiao with COC166-9 immunised mice with monoclonal antibody to mimic ovarian cancer-related antigen OC166-9
"6B11-OCIK Injection"	Injection of ovarian cancer autologous cytotoxic T lymphocyte, one of the Group's biologic product pipeline for treatment of ovarian cancer
"Articles of Association"	the articles of association adopted by our Company on 6 June 2020
"Audit Committee"	the audit committee of the Board
"Auditor"	Deloitte Touche Tohmatsu, the external auditor of the Company
"B cells"	a type of lymphocytes
"Beijing Weixiao"	Beijing Weixiao Biotechnology Development Limited* (北京緯曉生物技術開發有限責任公司), a subsidiary of the Company
"Beijing Yongtai"	Immunotech Applied Science Limited (北京永泰生物制品有限公司), a limited liability company established in the PRC on 20 November 2006 and an indirect wholly-owned subsidiary of our Company
"Board" or "Board of Directors"	the board of directors of the Company
"CAR-T cells"	chimeric antigen receptor T cells, are T cells that have been genetically engineered to produce an artificial T-cell receptor and chimeric antigen receptors that have been engineered to give T cells the new ability to target a specific protein on the surfaces of cells
"CDE"	Centre for Drug Evaluation of the NMPA
"CEO"	chief executive officer
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"China", "Mainland China" or "the PRC"	the People's Republic of China, excluding, for the purpose of this report, Hong Kong, Macau Special Administration Region and Taiwan
"Company", "the Company" or "We"	Immunotech Biopharm Ltd (永泰生物製藥有限公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability on 11 April 2018
"Consolidated Affiliated Entity"	the entity we control through the Contractual Arrangements, being Yongtai Ruike
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and, in the context of this report, means the controlling shareholders of the Company, being Mr Tan and Tan Zheng Ltd

Definitions

"Convertible Preference Shares"	the convertible preference shares with an aggregate par value of US$5,000.0 issued pursuant to the Preference Share Subscription Agreement by our Company to Poly Platinum
"Core Product Candidate"	our "core product" as defined under Chapter 18A of the Listing Rules, namely EAL®
"CR Pharma"	China Resources Pharmaceutical Group Limited, a company listed on the Main Board of the Stock Exchange (stock code 3320)
"CRO"	contract research organisation, a company which provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis
"CTO"	chief technology officer
"Director(s)"	the director(s) of the Company
"EBV"	Epstein-Barr virus, a member of the herpes virus family
"FVTPL"	Financial assets at fair value through profit or loss
"GMP"	good manufacturing practice, and in the context of PRC laws and regulations, refers to guidelines and regulations from time to time issued pursuant to the PRC Drug Administration Law (中華人民共和國藥品管理法) as part of quality assurance which aims to minimise the risks of contamination, cross contamination, confusion, and errors during the manufacture process of pharmaceutical products and to ensure that pharmaceutical products subject to these guidelines and regulations are consistently produced and controlled in conformity to quality and standards appropriate for their intended use
"Group" or "the Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HLA"	human leukocyte antigen, a gene complex encoding the major MHC proteins
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HPV"	human papillomavirus
"IND"	investigational new drug
"Industry Fund"	the cellular immunotherapy specialised industry fund (細胞免疫治療專項產業基金)
"Investment Fund"	the Company entered into the subscription agreement with Tasly Bioscience, to govern their relationship and provide for, among others, the manner of operation and management of the investment fund

Definitions

"Korea"	Republic of Korea
"Leadman"	Beijing Leadman Biochemistry Co., Ltd, a company incorporated in the PRC, being the landlord under the Lease Agreement
"Lease Agreement"	the formal lease agreement dated 9 October 2021 entered into between Beijing Yongtai as the tenant and Leadman as the landlord in relation to the lease of the Premises
"License Agreement"	the license agreement dated 30 December 2020 made between the Company and T-Cure in relation to the grant exclusive license to the Company to use T-Cure IP for the development, manufacturing and commercialisation of Licensed Products in the Territory pursuant to the terms of the License Agreement
"Licensed Patent Rights"	licensed patent rights of 800TCR, which is a T cell receptor (TCR) encoded by a retrovirus (including lentivirus) recognising the HERVE-E tumour antigen
"Licensed Product(s)"	tangible materials within the scope of one or more claims of the Licensed Patent Rights
"Listing" or "IPO"	the listing of the Shares on the Main Board of the Stock Exchange on 10 July 2020
"Listing Date"	10 July 2020, being the date on which the Shares were listed on the Main Board
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"lymphocytes"	a sub-type of white blood cells, such as T cells, B cells and NK cells
"Main Board"	the Main Board of the Stock Exchange
"MHC"	major histocompatibility complex, proteins found on the surfaces of cells specialised for displaying short peptide fragments on the surface of cells
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"NDA"	new drug application
"NIH"	the U.S. Department of Health and Human Services, as represented by the National Heart, Lung, and Blood Institute, an institute or center of the National Institutes of Health
"NK cells"	natural killer cells, a type of lymphocyte and a component of innate immune system
"NMPA"	National Medical Products Administration of the People's Republic of China

Definitions

"Nomination Committee"	the nomination committee of the Board
"Poly Platinum"	Poly Platinum Enterprises Limited, a business company incorporated in the BVI on 9 November 2018 and a direct wholly-owned subsidiary of Greater Bay Area Homeland Development Fund LP (大灣區共同家園發展基金有限合夥), an Independent Third Party
"Preference Shares Subscription Agreement"	the subscription agreement dated 3 June 2019, as amended and supplemented by the first supplemental subscription agreement dated 12 June 2019 entered into, among other parties, between Poly Platinum and our Company in relation to the subscription of 5,000 Convertible Preference Shares for HK$200 million
"Prospectus"	the prospectus issued by the Company dated 29 June 2020
"R&D"	research and development
"Registered Shareholders"	the registered shareholders of Yongtai Ruike, being Mr Tan Zheng and Dr Wang Yu
"Remuneration Committee"	the remuneration committee of the Board
"Renminbi" or "RMB"	Renminbi Yuan, the lawful currency of China
"Reporting Period"	the 12-month period from 1 January 2021 to 31 December 2021
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended supplemented or otherwise modified from time to time
"Shaoxing Binhai Investment Fund"	Shaoxing Binhai New Area Biomedical Industry Equity Investment Fund Partnership (LP)* (紹興濱海新區生物醫藥產業股權投資基金合夥企業(有限合夥))
"Shareholder(s)"	holder(s) of Shares
"Share(s)"	ordinary shares with a nominal value of US$0.001 each in the capital of the Company
"sq.m"	square metres
"SMO"	site management organisation, a company that provides clinical trial related services
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategic Cooperation Framework Agreement"	the strategic cooperation agreement dated 17 September 2021 entered into, among other parties, between the Company and CR Pharma regarding their strategic cooperation

Definitions

"Subscription Agreement"	the subscription agreement dated 31 December 2020 entered into among the Company, as subscriber, and Tasly Bioscience, for itself and in its capacity as general partner of the Investment Fund
"T cells" or "T lymphocytes"	a type of lymphocytes produced or processed by the thymus gland and actively participating in the immune response, which plays a central role in cell-mediated immunity. T cells can be distinguished from other lymphocytes, such as B cells and NK cells, by the presence of a T cell receptor on the cell surface
"T-Cure"	T-Cure Bioscience, Inc.
"T-Cure IP"	the know-hows, patent rights and processes that are controlled or owned by T-Cure necessary or useful to develop, manufacture or commercialise the Licensed Products
"Tasly Bioscience"	Tasly Bioscience Fund Limited
"TCR"	T cell receptor, a molecule found on the surface of T cells responsible for recognising fragments of antigen
"Territory"	the Republic of Korea, PRC, including Hong Kong and Macau, but (for the purpose of this transaction) excluding Taiwan
"TGF-ß"	transforming growth factor beta, a family of proteins involved in regulating and mediating processes at the cellular level
"US$"	United States dollars, the lawful currency of the United States of America
"Yongtai Ruike"	Beijing Yongtai Ruike Biotechnology Company Ltd (北京永泰瑞科生物科技有限公司), a company established in the PRC with limited liability on 8 June 2018 and is a wholly-owned subsidiary of the Company

In this annual report, capitalised terms used shall have the same meanings as those defined in the Prospectus, unless the context otherwise requires.