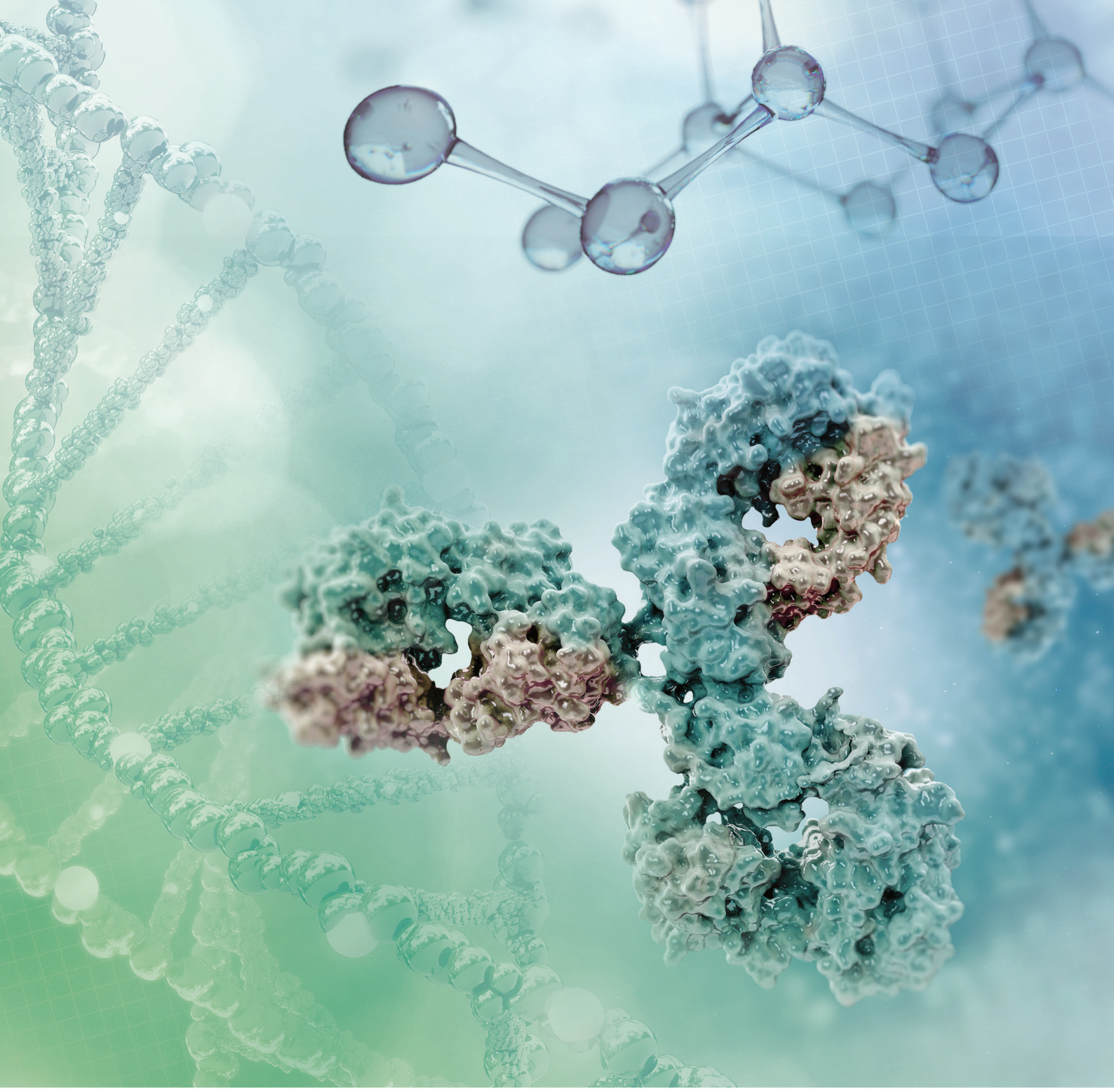

KeyMed Biosciences

Keymed Biosciences Inc.
康諾亞生物醫藥科技有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2162

2021
ANNUAL REPORT

Contents

Definitions

In this report, unless the context otherwise requires, the following expressions shall have the following meanings.

"AGM"	the 2021 annual general meeting of the Company to be held on June 28, 2022
"Audit Committee"	the audit committee of the Board
"BLA"	biologics license application
"Board of Directors" or "Board"	the board of Directors
"CDE"	Center for Drug Evaluation of the NMPA
"CG Code"	the "Corporate Governance Code" as contained in Appendix 14 to the Listing Rules
"China" or "PRC"	the People's Republic of China, which, for the purpose of this report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
"cGMP" or "Current Good Manufacturing Practice"	cGMP refers to the Current Good Manufacturing Practice regulations enforced by the FDA. cGMPs provide for systems that assure proper design, monitoring, and control of manufacturing processes and facilities. Adherence to the cGMP regulations assures the identity, strength, quality, and purity of drug products by requiring that manufacturers of medications adequately control manufacturing operations. This includes establishing strong quality management systems, obtaining appropriate quality raw materials, establishing robust operating procedures, detecting and investigating product quality deviations, and maintaining reliable testing laboratories
"Company", "our Company"	Keymed Biosciences Inc. (formerly known as 2Health Biosciences, Inc.), an exempted company with limited liability incorporated in the Cayman Islands on April 23, 2018
"Core Product"	CM310, the designated "core product" as defined under Chapter 18A of the Listing Rules
"CRO(s)"	contract research organization, a company that provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis
"CSPC"	CSPC Pharmaceutical Group Limited, a company listed on the Stock Exchange (stock code: 1093), and its affiliates
"Director(s)"	the director(s) of the Company or any one of them
"FDA"	the Food and Drug Administration of the United States
"FVTPL"	fair value through profit and loss

Definitions

"Global Offering"	the global offering of the Shares, details of which are set forth in the Prospectus
"Group", "our Group", "our", "we", or "us"	the Company and all of its subsidiaries, or any one of them as the context may require or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK dollars" or "HK$"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"IFRSs"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"IGA"	Investigator's Global Assessment scale, a five-point scale that provides a global clinical assessment of AD severity ranging from 0 to 4, where 0 indicates clear, 2 is mild, 3 is moderate and 4 indicates severe AD
"IND"	investigational new drug or investigational new drug application, also known as clinical trial application in China or the U.S.
"Independent Third Party" or "Independent Third Parties"	a person or entity who is not a connected person of the Company under the Listing Rules
"InnoCare"	InnoCare Beijing InnoCare Pharma Tech Co., Ltd. (北京諾誠健華醫藥科技有限公司), a limited liability company incorporated under the laws of PRC on December 13, 2013, a subsidiary of InnoCare Pharma Limited (HKSE: 9969), and an Independent Third Party
"IPO"	the initial public offering of the Shares on the Main Board of the Stock Exchange on July 8, 2021
"JMT-Bio"	Shanghai JMT-Bio Technology Co., Ltd. (上海津曼特生物科技有限公司), a wholly-owned subsidiary of CSPC
"Lepu Biopharma"	Lepu Biopharma Co., Ltd. (樂普生物科技股份有限公司), a limited liability company incorporated under the laws of PRC on January 19, 2018, and an Independent Third Party
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	July 8, 2021, on which the Shares were listed and from which dealings therein were permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on Stock Exchange (as amended, supplemented or otherwise modified from time to time)

Definitions

"Mabworks"	Beijing Mabworks Biotech Co., Ltd. (北京天廣實生物技術股份有限公司), a limited liability company incorporated under the laws of PRC on February 27, 2003, and an Independent Third Party
"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules
"NDA"	new drug application
"NMPA"	the National Medical Product Administration of the PRC (國家藥品監督管理局), successor to the China Food and Drug Administration or CFDA (國家食品藥品監督管理總局)
"Reporting Period"	the year ended December 31, 2021
"Prospectus"	the prospectus of the Company dated June 25, 2021
"R&D"	research and development
"RMB"	Renminbi, the lawful currency of the PRC
"RSU(s)"	restricted share unit(s), being a conditional right when an award under the 2022 RSU Scheme vests whereby the grantee shall be entitled to obtain either Shares or an equivalent value in cash with reference to the market value of the Shares on or about the date of vesting
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
"Share(s)"	ordinary share(s) with nominal value of US$0.0001 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"2022 RSU Scheme"	the restricted share unit scheme adopted by the Board on January 21, 2022
"%"	per cent

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. Bo CHEN
Dr. Changyu WANG
Dr. Gang XU

Non-executive Directors

Mr. Qi CHEN
Dr. Min Chuan WANG
Mr. Yilun LIU
Dr. Dong LYU *(resigned on March 29, 2022)*

Independent non-executive Directors

Prof. Xiao-Fan WANG
Prof. Yang KE
Mr. Cheuk Kin Stephen LAW
Prof. Linqing LIU

AUDIT COMMITTEE

Mr. Cheuk Kin Stephen LAW *(Chairperson)*
Mr. Qi CHEN
Prof. Linqing LIU

REMUNERATION COMMITTEE

Prof. Xiao-Fan WANG *(Chairperson)*
Dr. Changyu WANG
Prof. Yang KE

NOMINATION COMMITTEE

Dr. Bo CHEN *(Chairperson)*
Prof. Xiao-Fan WANG
Prof. Linqing LIU

JOINT COMPANY SECRETARIES

Mr. Yanrong ZHANG
Ms. Vivien Pak Yu TAM

AUTHORISED REPRESENTATIVES

(for the purpose of the Listing Rules)
Dr. Bo CHEN
Dr. Changyu WANG

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

COMPLIANCE ADVISER

Somerley Capital Limited

REGISTERED OFFICE

Floor 4, Willow House, Cricket Square
Grand Cayman KYI-9010
Cayman Islands

CORPORATE HEADQUARTERS

18 BioTown Middle Road Building D2
Chengdu Tianfu International BioTown
Sichuan, 610219
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1701 Lippo Centre Tower 2
Queensway
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Campbells Corporate Services Limited
Floor 4, Willow House, Cricket Square
Grand Cayman KY1-9010
Cayman Islands

Corporate Information

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKERS

China Minsheng Bank
China Merchants Bank

COMPANY WEBSITE

www.keymedbio.com

STOCK CODE

2162

LISTING DATE

July 8, 2021

Chairman's Statement

Dear investors,

On behalf of the Board of Directors of Keymed, I would like to express my sincere thanks to all investors for your long-term trust.

The year 2021 marks a milestone for Keymed. We made remarkable headway in R&D and promotion of product pipelines, and operation, financing and listing of the Company. Our team grew rapidly in size and worked together as a committed and coordinated unit.

Thanks to our insight on autoimmune and tumor immune diseases, we have developed a highly differentiated product pipeline portfolio within past few years. We have nine products in the clinical stage, including monoclonal antibodies, bispecific antibodies, and antibody drug conjugates (ADCs), covering important targets such as IL-4Rα, TSLP, Claudin 18.2, CD38, and so on. We initiated and successfully completed the Phase IIb clinical studies of core pipeline CM310 for moderate-to-severe AD in adults in 2021 and the Phase IIb clinical study data showed encouraging efficacy and excellent safety. Based on this, we initiated the Phase III clinical studies for moderate-to-severe AD in adults in the first quarter of 2022. For the indications of CRSwNP, data were unblinded in late March 2022, and we will rapidly advance the Phase III study of CM310 for patients with CRSwNP. Other core pipeline products, including CM326 (TSLP antibody), CMG901 (Claudin 18.2 ADC), CM313 (CD38 antibody), were under clinical trials and significant clinical progress has been made.

While actively promoting the R&D of internal pipelines, the Company entered into a series of strategic cooperation agreements in 2021. We entered into a cooperation agreement with JMT-Bio, a wholly-owned subsidiary of CSPC in respect to the interests in China (excluding Hong Kong, Macau and Taiwan) of CM310 and CM326 in respiratory disease indications such as asthma, and strategically allied to jointly identify, research, develop and commercialize one or more nervous system disease-related drugs; we entered into a strategic collaboration agreement with InnoCare to further deepen our research and development collaboration to develop first-in-class large-molecule innovative drugs for the benefits of patients.

In respect of team building, we had expanded the number of our staff to 325 by the end of 2021. A large number of talents with rich experience in clinical development and operation joined Keymed, laying a solid talent foundation for us to efficiently promote multiple clinical projects including CM310 Phase III clinical trials. In terms of scale production, the first phase construction of the new plant in Chengdu has been roofed. The designs of facilities are in compliance with the requirements of cGMP of the NMPA and FDA. The debugging and installation of mechanical and electrical equipment is currently underway. The first phase of the plant is expected to be put into pilot-scale operation in mid-2022 with capacity of 16,000 L. The plant will guarantee the efficient commercialization of the Company in the future.

Since the establishment of Keymed five years ago, the Company's strong R&D capability, development strategy and operational efficiency have been widely recognized by the capital market. On July 8, 2021, we were successfully listed on the main board of the Hong Kong Stock Exchange and raised a total of HK$3.57 billion, providing adequate capital support for subsequent R&D, production and commercialization of pipelines.

Looking ahead, we will rapidly push forward the Phase III clinical studies of CM310 indications for moderate-to-severe AD and CRSwNP, as well as the clinical trials of other pipeline products, and continue to recruit talents in R&D, production, clinical development and subsequent commercialization to make full strategic preparation for the commercialization stage. In addition, we will continue to improve and expand various technology platforms and devote to transforming cutting-edge scientific research results into excellent clinical/pre-clinical projects to launch more mature and abundant product pipelines.

Chairman's Statement

We owe our performance today to our investors' trust, supervision and support. In 2022, we will continue innovating, guarding of health, and striving for perfection. While providing patients with high-quality and affordable innovative therapies, we hope to create more long-term values and bring great returns to investors.

Bo CHEN
Chairman and Chief Executive Officer

Financial Highlights

FINANCIAL HIGHLIGHTS

	2021 ***RMB'000***	2020 *RMB'000*
Revenue	**110,269**	–
Cost of sales	**(17,200)**	–
Gross profits	**93,069**	–
Research and development expenses	**(358,156)**	(127,400)
Fair value losses on convertible redeemable preferred shares	**(3,480,294)**	(696,470)
Total comprehensive loss for the year	**(3,892,632)**	(818,848)
Adjusted total comprehensive loss for the year *(note (1))*	**(295,515)**	(122,378)

	December 31, 2021 ***RMB'000***	December 31, 2020 *RMB'000*
Cash and cash equivalents, time deposits, and financial assets at FVTPL	**3,524,579**	354,082

Note:

(1) Adjusted total comprehensive loss for the year is not defined under the IFRSs. It represents the total comprehensive loss for the year excluding the effect of certain non-cash items, such as equity-settled share-based payment expenses, and fair value losses on convertible redeemable preferred shares.

IFRSs Measures:

- Revenue amounted to RMB110.3 million for the year ended December 31, 2021, mainly represented collaboration income from CSPC and InnoCare in respect of granting relevant licenses.
- Cost of sales represented R&D costs incurred under the out-licensing arrangements for the year ended December 31, 2021.
- Research and development expenses increased by RMB230.8 million to RMB358.2 million for the year ended December 31, 2021. The increase was primarily attributable to the increase of employee compensation, ongoing pre-clinical and clinical studies for our pipelines products.
- Fair value losses on convertible redeemable preferred shares increased by RMB2,783.8 million to RMB3,480.3 million for the year ended December 31, 2021. The fair value losses on convertible redeemable preferred shares were non-cash and non-recurring in nature, which was primarily attributable to the increase of the Company's valuation upon its completion of IPO on July 8, 2021. These preferred shares were automatically converted to ordinary shares of the Company on a 1:1 basis on the same day. Thus the then fair value of convertible redeemable preferred shares had been reclassified to equity accordingly in July 2021.

Financial Highlights

Non-IFRSs Measures:

To supplement the Group's consolidated financial statements, which are presented in accordance with IFRSs, we also use adjusted loss for the year as an additional financial measure, which is not required by, or presented in accordance with IFRSs. We believe that these adjusted measures provide useful information to shareholders and potential investors in understanding and evaluating our consolidated results of operations in turn as they help our management.

Adjusted loss for the year represents the loss for the year excluding the effect of certain non-cash items, namely the fair value loss on convertible redeemable preferred shares and share-based compensation expenses. The term adjusted loss for the year is not defined under IFRSs. The use of this non-IFRSs measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRSs. Our presentation of this adjusted figure may not be comparable to similarly titled measures presented by other companies. However, we believe that this non-IFRSs measure reflects our core operating results by eliminating potential impacts of items that our management do not consider to be indicative of our core operating performance, and thus, facilitate comparisons of core operating performance from period to period and company to company to the extent applicable. The table below sets forth a reconciliation of loss to adjusted loss for the years indicated:

	2021 ***RMB'000***	2020 *RMB'000*
Total comprehensive loss for the year	**(3,892,632)**	(818,848)
Add:		
Fair value losses on convertible redeemable preferred shares	**3,480,294**	696,470
Share-based payments	**116,823**	–
Adjusted total comprehensive loss for the year	**(295,515)**	(122,378)

Adjusted total comprehensive loss for the year ended December 31, 2021 increased by RMB173.1 million, mainly attributable to significant investment in research and development activities, partially offset by the increase in gross profits during the year.

Business Highlights

BUSINESS HIGHLIGHTS

On July 8, 2021, the Company was successfully listed on the Stock Exchange. During the Reporting Period, we have continued proceeding with research and development of our products and made the following progress with respect to our pipeline and business operation:

Rapid development of in-house discovered products

- The progress of core pipeline products：

  ➢ CM310 (IL-4Rα antibody)

  We completed the Phase Ib/IIa clinical studies of CM310 for moderate-to-severe AD in adults in the first half of 2021 and initiated the Phase IIb clinical study. There were 120 subjects enrolled in the Phase IIb clinical study. The results of the study were unblinded and disclosed in late November 2021. After that, we rapidly initiated a randomized, double-blinded, placebo-controlled Phase III clinical study to evaluate the efficacy and safety of CM310 in adult subjects with moderate-to-severe AD in the first quarter of 2022. The Phase III clinical study has been approved by CDE and plans to include 500 subjects. The two co-primary endpoints are the percentage of subjects achieving EASI-75 and the percentage of subjects achieving an IGA score of 0 or 1 with a deduction of ≥2 points from the baseline in the 16th week of treatment. The enrollment is expected to be completed by the second half of 2022.

  We initiated the Phase II clinical trial for patients with CRSwNP in the first half of 2021 and the enrollment was completed in September 2021. We plan to initiate the Phase III study for CRSwNP in the second half of 2022.

  In March 2021, we entered into an exclusive license agreement with JMT-Bio, a wholly-owned subsidiary of CSPC, to develop and commercialize CM310 for the treatment of moderate and severe asthma, COPD and other respiratory diseases in China (excluding Hong Kong, Macau, or Taiwan). By the end of 2021, CSPC has initiated the Phase II clinical study for the treatment of moderate and severe asthma.

  ➢ CM326 (TSLP antibody)

  We initiated and completed a Phase I trial of CM326 in healthy persons in 2021 to evaluate the safety and tolerability of single subcutaneous injection of CM326 at various doses in healthy persons. The results of this trial were published in November 2021, showing that CM326 had a good safety and tolerability profile in all dose groups.

  We have initiated Phase Ib/IIa clinical trials of CM326 in adult patients with moderate-to-severe AD and will initiate Phase Ib/IIa clinical trials in patients with CRSwNP;

  In November 2021, we entered into an exclusive license agreement with JMT-Bio, a wholly-owned subsidiary of CSPC, to develop and commercialize CM326 for the treatment of moderate and severe asthma, COPD and other respiratory diseases in China (excluding Hong Kong, Macau, or Taiwan).

Business Highlights

- CMG901 (Claudin 18.2 ADC)

  We proceeded with our Phase I clinical trial of CMG901 in subjects with solid tumors in 2021, which is currently in the dose escalation phase. We expect to initiate the dose-expansion stage of trial in solid tumors in China in the second quarter of 2022.

  In March 2021, we received the FDA IND clearance of CMG901 for the Phase I clinical trial in gastric and GEJ cancers in the U.S.

- CM313 (CD38 antibody)

  In 2021, we initiated a multi-center, open-label, Phase I clinical trial in China to evaluate the safety, tolerability, pharmacokinetics, immunogenicity, and preliminary efficacy of CM313 monotherapy in hematological malignancies including RRMM and lymphoma. The dose-escalation trial is expected to be completed in the first half of 2022. Meanwhile, we have initiated a dose-expansion phase trial of CM313 at the end of the first quarter of 2022. In addition, in January 2022, we submitted a clinical trial application to the NMPA for the indication of CM313 in the treatment of SLE.

• Progress of other products：

- CM338 (MASP-2 antibody)

  We initiated a Phase I clinical study of CM338 in healthy volunteers in December 2021.

- CM355 (CD20xCD3 bispecific antibody)

  The IND application for CM355 was approved by the CDE on September 17, 2021, and the first patient was dosed on January 17, 2022.

- CM336 (BCMAxCD3 bispecific antibody)

  The IND application for CM336 was approved by the CDE on November 21, 2021 and a Phase I clinical trial will enroll the first subject soon.

- CM350 (GPC3xCD3 bispecific antibody)

  The IND application for CM350 was approved by the CDE on January 11, 2022 and a Phase I clinical trial will enroll the first subject soon.

- CM369 (CCR8 antibody)

  CM369 is an anti-CC chemokine receptor 8 ("**CCR8**") monoclonal antibody, a potential first-in-class drug co-developed by us and Innocare as a monotherapy or in combination with other therapies for the treatment of various cancers. CCR8 has been shown to be selectively overexpressed on immunosuppressive regulatory T cells ("**Tregs**") in the tumor microenvironment ("**TME**"). CM369 binds to CCR8 on Tregs and eradicates immunosuppressive Tregs through ADCC to augment the anti-tumor immunity in TME while preserving peripheral homeostasis. CM369 has the potential to deliver optimal tumor targeted Treg depletion and be more specific in anti-tumor activity than other immunotherapies. We plan to file the IND application to the NMPA in the second quarter of 2022.

Business Highlights

Rapid expansion of workforce and production facilities

- By the end of 2021, the Company had more than 320 employees, including over 120 employees engaging in clinical development and operations. We will continue to recruit talent to meet the growing needs of research and development, clinical, production, operational and future commercialization. In addition to the headquarters in Chengdu, we also have offices in Shanghai, Beijing, Wuhan, Guangzhou, etc.

- In 2021, the Company continued the construction of a new plant in Chengdu, and the first production line is expected to be put into pilot-scale operation in mid-2022. Upon completion of the first phase of construction, the new plant in Chengdu will provide an additional production capacity of 16,000 L. The designs of all facilities are in compliance with the requirements of cGMP of the NMPA and FDA.

Active cooperation with external parties

In 2021, we entered into cooperation with CSPC in respect to the interests in China (excluding Hong Kong, Macau and Taiwan) of CM310 and CM326 in respiratory disease indications such as moderate-to-severe asthma and COPD. In September 2021, we strategically allied with CSPC to jointly identify, research, develop and commercialize one or more nervous system disease-related products.

In 2021, we entered into a strategic collaboration agreement with InnoCare to further deepen our research and development collaboration to develop first-in-class large-molecule innovative drugs for the benefits of patients.

Management Discussion and Analysis

OVERVIEW

We are a biotechnology company focused on the in-house discovery and development of innovative biological therapies in the autoimmune and oncology therapeutic areas. We have multiple clinical-stage assets, each of them being a leading contender within its respective competitive landscape.

Based on a solid foundation in biomedical research, we have built in-house drug discovery and development technologies. These comprise an innovative antibody discovery platform and a proprietary novel T cell engager (nTCE) bispecific antibody platform. As of December 31, 2021, we have ten clinical stage and IND-enabling drug candidates in our internally-developed pipeline.

To accelerate the efficiency of our research and discovery, we have established a fully-integrated platform encompassing all of the key functions in the biologic drug development. These include target validation, lead molecule discovery and optimization, preclinical evaluation, process development, translational research, clinical development and manufacturing. This integrated platform has enabled us to rapidly and cost-effectively identify, build, expand and advance our diversified pipeline of innovative and differentiated antibody-based therapies, including monoclonal antibodies, antibody drug conjugates (ADCs) and bispecific antibodies.

Product Pipeline

We have established a pipeline of nine clinical stage drug candidates. Our proprietary product pipeline reflects our market insight and employs the most recent scientific findings. To complement our in-house research and development efforts, we also collaborate with third parties on the development and commercialization of our drug candidates through joint venture or out-licensing arrangements.

Management Discussion and Analysis

The following chart illustrates our pipeline and summarizes the development status of our clinical-stage drug candidates and selected IND-enabling stage candidates as of December 31, 2021:

Abbreviations: AD = atopic dermatitis; ADC = antibody drug conjugate; CRS =chronic rhinosinusitis; CRSwNP = chronic rhinosinusitis with nasal polyposis; COPD = chronic obstructive pulmonary disease; GEJ = gastroesophageal junction; mAb = monoclonal antibody; MM = multiple myeloma; Ph =Phase; RRMM = relapsed or refractory multiple myeloma

BUSINESS REVIEW

- **CM310 (IL-4Rα antibody)**

  CM310, our Core Product, is a humanized and highly potent antagonist antibody against interleukin-4 receptor α-subunit (IL-4Rα). It is the first domestically-developed IL-4Rα antibody that received IND approval from the NMPA. By targeting IL-4Rα, CM310 can lead to dual-blockade of interleukin-4 (IL-4) and interleukin-13 (IL-13) signaling. IL-4 and IL-13 are two critical cytokines for initiating type II inflammation. CM310 can potentially be effective for treating various type II immunological diseases in adults, adolescents and children, such as moderate-to-severe atopic dermatitis (AD), moderate-to-severe asthma, chronic rhinosinusitis with nasal polyposis (CRSwNP) and potentially chronic obstructive pulmonary disease (COPD). It demonstrated favorable safety and encouraging efficacy in Phase Ia, Phase Ib/IIa and Phase IIb clinical trials.

  We completed the Phase IIb clinical trial for moderate-to-severe AD in adults in November 2021. The study showed positive results with each dose group's primary key endpoints fully meeting the standards. In the 16th week of treatment, the percentage of subjects achieving EASI-75 in the high-dose group and the low-dose group was 73.1% and 70.6%, respectively, both of which were significantly better than 18.2% in the placebo group (P value <0.0001 on average). In terms of IGA indicators, the percentage of subjects achieving an IGA score of 0 or 1 (IGA 0/1, that is, complete or basic removal of skin lesions) in the 16th week of treatment in the high-dose group, low-dose group

Management Discussion and Analysis

and placebo group was 34.6%, 32.4%, and 9.1%, respectively. Both dose groups were significantly better than the placebo group, with P value of 0.023 and 0.033, respectively; the percent-age of subjects with a reduction of ≥2 in IGA score from baseline in the 16th week of treatment in the high-dose group, low-dose group, and placebo group was 53.8%, 61.8%, and 9.1%, respectively, and both dose groups were significantly better than placebo group (P value <0.0001 on average). For the two dose groups, significantly better effects were observed in the two dose groups at the 16th week as compared with the placebo group in other efficacy-related indicators such as EASI-90, EASI-50, Peak Pruritus Numerical Rating Scale (NRS), Body Surface Area (BSA) Involved by AD, and Dermatology Life Quality Index (DLQI). At the same time, this study also observed that CM310 has a favorable safety profile.

Based on the above data, we initiated a Phase III clinical study for moderate-to-severe AD in adults in the first quarter of 2022. The Phase III clinical study has been approved by CDE and plans to include 500 subjects. The co-primary endpoints are the percentage of subjects achieving EASI-75 and the percentage of subjects achieving an IGA score of 0 or 1 with a deduction of ≥2 points from the baseline in the 16th week of treatment. The enrollment of subjects is expected to be completed by the second half of 2022 and the BLA is expected to be submitted to the NMPA in 2023.

In addition, we initiated the Phase II clinical trial for patients with CRSwNP in the first half of 2021 and the enrollment was completed in September 2021. We plan to initiate the Phase III study for patients with CRSwNP in the second half of 2022.

In March 2021, we entered into an exclusive license agreement with JMT-Bio, a wholly-owned subsidiary of CSPC, to develop and commercialize CM310 for the treatment of moderate and severe asthma, COPD and other respiratory diseases in China (excluding Hong Kong, Macau, or Taiwan). By the end of 2021, CSPC has initiated the Phase II clinical study for the treatment of moderate and severe asthma.

- **CM326 (TSLP antibody)**

CM326 is a humanized and highly potent monoclonal antibody targeting thymic stromal lymphopoietin (TSLP). It is the first domestically-developed TSLP-targeting antibody in China, to have received IND approval. TSLP plays a critical role as an upstream cytokine mediating multiple inflammatory pathways, which provides a strong scientific rationale for the development of TSLP antibody to treat COPD and various allergic diseases, including moderate-to-severe asthma and CRSwNP. CM326 may also have synergistic effects with CM310.

We completed a Phase Ia trial of CM326 in healthy volunteers in November 2021. The study results showed that CM326 injection group was comparable to the placebo group in overall safety and tolerability profile. During the administration of CM326, the incidence of adverse events reported in the CM326 injection group was comparable to that in the placebo group, with the vast majority being grade one, transient and self-healing without medical intervention.

We received IND approval for clinical trials for moderate-to-severe asthma from the NMPA in March 2021. In November 2021, we received IND approval for moderate-to-severe AD and CRSwNP from the NMPA. In early 2022, we are conducting a multiple dose-escalation Phase I study in healthy volunteers and a multiple dose-escalation Phase Ib/IIa clinical trial in subjects with moderate-to-severe AD is currently ongoing. We will conduct the Phase Ib/IIa clinical study of CM326 for CRSwNP soon.

Management Discussion and Analysis

In November 2021, we entered into an exclusive license agreement with JMT-Bio, a wholly-owned subsidiary of CSPC, to develop and commercialize CM326 for the treatment of moderate and severe asthma, COPD and other respiratory diseases in China (excluding Hong Kong, Macau, or Taiwan).

- **CMG901 (Claudin 18.2 ADC)**

  CMG901 is a Claudin 18.2-targeting ADC comprising of a Claudin 18.2-specific antibody, a cleavable linker and a toxic payload, monomethyl auristatin E (MMAE). It is the first Claudin 18.2 ADC to have received IND clearance both in China and the U.S. Claudin 18.2 is selectively and widely expressed in gastric cancer, pancreatic cancer and other solid tumors, which makes it an ideal tumor target for therapeutic development.

  We are currently evaluating CMG901 in the dose-escalation Phase I trial in solid tumors in collaboration with Lepu Biopharma. We expect to initiate the dose-expansion stage of the trial in solid tumors at the beginning of the second quarter of 2022 in China. In March 2021, we received the FDA IND clearance of CMG901 for the Phase I clinical trial in gastric and gastroesophageal junction cancers in the U.S.

- **CM313 (CD38 antibody)**

  CM313 is a humanized monoclonal antibody that targets CD38. CM313 is the first domestically-developed CD38 antibody with IND approval by the NMPA in China. Given the encouraging efficacy in pre-clinical studies, we believe CM313 has the potential to become an innovative treatment option for relapsed or refractory multiple myeloma (RRMM), lymphoma and other hematological malignancies.

  In 2021, we continued proceeding with a multi-center, open-label, Phase I clinical trial in China to evaluate the safety, tolerability, pharmacokinetics, immunogenicity, and preliminary efficacy of CM313 monotherapy in hematological malignancies including RRMM and lymphoma. The first subject in dose-escalation part has been enrolled in the first half of 2021. The dose-escalation part is expected to be completed in the first half of 2022, and we initiated a dose-expansion phase trial of CM313 in China at the end of the first quarter of 2022.

  In addition, in January 2022, we submitted a clinical trial application to the NMPA for the indication of CM313 in the treatment of systemic lupus erythematosus (SLE).

- **MIL95/CM312 (CD47 antibody)**

  MIL95/CM312 is a humanized monoclonal antibody targeting CD47. In recent years, CD47 has emerged as one of the most promising immunotherapy targets. MIL95/CM312 is designed to interfere with recognition of CD47 by the signal-regulatory protein α (SIRPα) receptor on macrophages, thereby blocking the "don't eat me" signal used by cancer cells to avoid the ingestion by macrophages. Blockade of this pathway by a CD47 antibody represents one of the most effective tumor killing mechanisms. Leveraging our powerful antibody discovery platforms, we discovered MIL95/CM312 with well-characterized antibody structure, high binding affinity, strong blocking activity on CD47 and SIRPα interaction, and potent antitumor activity. Moreover, MIL95/CM312 did not induce erythrocyte agglutination, suggesting favorable safety profile.

  We are currently developing MIL95/CM312 with Mabworks. A Phase I clinical trial of MIL95/CM312 in China is currently ongoing.

Management Discussion and Analysis

- **CM338 (MASP-2 antibody)**

  CM338 is a humanized, highly potent antagonist antibody against mannose-binding lectin-associated serine protease-2 (MASP-2).

  In November 2021, we received the IND approval for CM338 from the NMPA. In December 2021, we started Phase I clinical study of CM338 in healthy people. The clinical study in patients with immunoglobulin A nephropathy (IgAN) will be initiated in the second half of 2022.

- **CM355 (CD20xCD3 bispecific antibody)**

  CM355 is a CD20xCD3 bispecific antibody for the treatment of relapsed or refractory non-Hodgkin's lymphoma (NHL). CM355 is designed to target CD20 on the surface of B cells and CD3 on the surface of T cells. The dual targeting of CD20 and CD3 activates and redirects T cells to eliminate target B cells.

  We collaborate with InnoCare for the development of CM355. On September 17, 2021, our IND application for the treatment of relapsed or refractory NHL was approved by the NMPA and the first patient was dosed on January 17, 2022.

- **CM336 (BCMAxCD3 bispecific antibody)**

  CM336 is a BCMAxCD3 bispecific antibody for treatment of multiple myeloma. BCMA is an attractive target for multiple myeloma immunotherapy due to its high expression on malignant plasma cells in multiple myeloma patients and normal expression restricted to plasma cells in healthy individuals. CM336 is designed to target BCMA on BCMA-positive tumor cells and the CD3 receptor on the surface of T cells, bridging them together and activating T cells to kill the cancer cells.

  We internally discovered and developed CM336, and maintain the global rights to develop and commercialize this drug candidate. In November 2021, we received the IND approval for conducting the treatment of the RRMM from the NMPA. The enrollment of the first subject of Phase I clinical study will be initiated in the second quarter of 2022.

- **CM350 (GPC3xCD3 bispecific antibody)**

  CM350 is a GPC3xCD3 bispecific antibody for the treatment of solid tumors, especially for hepatocellular carcinoma (HCC). CM350 is designed to target GPC3 on GPC3-positive tumor cells and the CD3 receptor on the surface of T cells, bridging them together and activating T cells to kill the cancer cells. The dual targeting of GPC3 and CD3 activates and redirects T cells to engage and eliminate target tumor cells.

  We internally discovered and developed CM350, and maintain the global rights to develop and commercialize this drug candidate. We filed an IND application to the NMPA in November 2021 and received the IND approval in January 2022. The enrollment of the first subject of Phase I clinical study will be initiated in the second quarter of 2022.

Management Discussion and Analysis

- **CM369 (CCR8 antibody)**

  CM369 is an anti-CC chemokine receptor 8 ("**CCR8**") monoclonal antibody, a potential first-in-class drug co-developed by us and Innocare as a monotherapy or in combination with other therapies for the treatment of various cancers. CCR8 has been shown to be selectively overexpressed on immunosuppressive regulatory T cells ("**Tregs**") in the tumor microenvironment ("**TME**"). CM369 binds to CCR8 on Tregs and eradicates immunosuppressive Tregs through ADCC to augment the anti-tumor immunity in TME while preserving peripheral homeostasis. CM369 has the potential to deliver optimal tumor targeted Treg depletion and be more specific in anti-tumor activity than other immunotherapies. We plan to file the IND application to the CDE in the second quarter of 2022.

Cautionary Statement required by Rule 18A.08(3) of the Listing Rules: The Company may not be able to ultimately develop and market CM310, CM326, CMG901, CM313, MIL95/CM312, CM338, CM355, CM336, CM350, and CM369 successfully. As at the date of this report, no material adverse changes had occurred with respect to the regulatory approvals we had received in relation to our drug candidates.

Our R&D and Manufacturing

Leveraging the expertise of our clinical development team, we are able to efficiently design and execute our clinical trials and demonstrate the advantages of our innovative drugs through outstanding clinical results. Our clinical development team achieves this goal through well-designed trial protocols and excellent trial execution. The team coordinates clinical development strategies and trial protocols for our drug candidates, and manages the trial implementation with the assistance of reputable CROs in a cost-effective manner. Our medical and translational research staff identify and validate biomarkers, direct patient selection, and analyze clinical data to guide clinical studies and preclinical evaluations. As our clinical-stage drug candidates are each among the first three domestically-developed for its target or in its class to have obtained IND approval in China and/or the U.S., we have attracted first-tier hospitals and leading principal investigators (PIs) to join our clinical trials. We believe the long-term relationships with these medical collaborators will bring us tremendous benefits.

To ensure production and supply of high-quality and affordable antibody drugs, we have always been committed to enhancing our in-house manufacturing capabilities. We have internally developed high-expressing cell lines to ensure high yield and low costs for our antibody manufacturing. Our first cGMP-compliant manufacturing facility with a total capacity of 1,600 L was built in Chengdu in 2019, which internally manufactured antibody continuously and successfully for preclinical and clinical studies. We have continued the construction of a new plant in Chengdu since 2021 and the first production line is expected to be put into pilot-scale operation in mid-2022. Upon completion of the first phase of construction, the new plant in Chengdu will provide an additional production capacity of 16,000 L. The designs of all facilities are in compliance with the requirements of cGMP of the NMPA and FDA.

Management Discussion and Analysis

R&D Platforms

We have built fully-integrated platforms to enable our in-depth R&D in the areas of immunology and oncology. Our platforms are integrated seamlessly to support key drug development functionalities, including antibody screening, functional evaluation, in vivo preclinical studies and biomarker identification. We have the expertise and capability to independently complete the entire drug development process from drug discovery to pre-clinical research to clinical development and to NDA/BLA application. Our core platforms are as follows:

- **Novel T Cell Engager (nTCE) Platform**

  Our nTCE platform enables us to develop bispecific T cell engagers that are potent and highly tumor specific. In recent years, T cell engaging bispecific antibodies have attracted particular interest as a promising class of immunotherapies for the treatment of non-immunogenic tumors. Our technology is designed to maximize T cell-mediated cell killing effects with minimal cytokine release syndrome, and high stability and productivity.

  Leveraging the nTCE platform, we are developing multiple T-cell engaging bispecific antibodies, including CM355, CM336 and CM350 which has obtained IND approval as of the reporting date. In preclinical studies, these drug candidates have demonstrated encouraging T cell-mediated cell killing effects with low possibility of cytokine release syndrome.

- **Innovative antibody discovery platform**

  Our innovative antibody discovery platform is a versatile platform for the discovery and evaluation of antibody drugs. This platform includes the following main functionalities: antibody screening, engineering and optimization. With these functions and technologies, we are able to develop antibody-based therapies with new modalities and new mechanisms of action, which potentially increase the efficacy and specificity of the therapies. Based on this platform, we have developed multiple drug candidates with different modalities in our pipeline, including bispecific antibodies, ADCs and Fc engineered antibodies. This platform is also empowered by enhanced automatic antibody screening and discovery techniques, leading to cost-efficient discovery of drug candidates with high affinity, cross-species activity and improved developability.

- **Bio-evaluation Platform**

  Our bio-evaluation platform is responsible for effective assessment of antibody drug candidates. We have developed multiple cell-based assays using engineered reporter cells, which enable us to quickly screen and select highly potent antibodies with desired biological activities. Building on our experience and expertise, we are also able to establish a variety of immunoassays to facilitate our immunology and oncology pipeline development. To further evaluate the efficacies of antibody drugs in vivo, we have developed a number of animal models in different species in collaboration with CROs to support our target validation and lead molecule selection.

- **High-Throughput Screening Platform for High Yield Antibody-Expressing Cells**

  Leveraging the experience and know-how of our chemistry, manufacturing and controls (CMC) and manufacturing team, we have developed our high-throughput screening platform to identify high-yielding cell lines that have desirable characteristics for further cost-efficient development. With this platform, we have successfully identified the cell lines to produce drug candidates as fast as three months. This allows us to rapidly advance our assets to the preclinical and clinical evaluation stage and accelerate the drug development process.

Management Discussion and Analysis

Impact of the COVID-19 Outbreak

The outbreak of COVID-19 since December 2019 did not have a material and adverse impact on our business, financial condition and results of operations. Although we experienced minor delays ranging from three to four months in the patient enrollment process and data entry for certain of our clinical trials in China at the beginning of the COVID-19 outbreak, since then the situation has improved. As of December 31, 2021, we had resumed the normal patient enrollment and data entry for our clinical trials, and had not encountered any material adverse effects on our collaboration with third party service providers for our clinical development, including our cooperative CROs. Further, since the outbreak of the COVID-19 from December 2019 and as of December 31, 2021, we had no suspected or confirmed COVID-19 cases on our premises or among our employees, nor had we experienced any material production suspension, decrease in production volume of our manufacturing facility. We had not experienced any material difficulties in procuring our major raw materials, and our supply chain had not experienced any material disruption since the outbreak of COVID-19 and as of December 31, 2021.

FINANCIAL REVIEW

	2021 ***RMB'000***	2020 *RMB'000*
Revenue	**110,269**	–
Cost of sales	**(17,200)**	–
Gross profits	**93,069**	–
Other income and gains	**52,667**	41,190
Research and development expenses	**(358,156)**	(127,400)
Administrative expenses	**(92,454)**	(21,548)
Listing expenses	**(37,932)**	(280)
Fair value losses on convertible redeemable preferred shares	**(3,480,294)**	(696,470)
Other expenses	**(57,680)**	(31)
Finance costs	**(11,133)**	(14,309)
Share of losses of a joint venture	**(719)**	–
Loss before tax	**(3,892,632)**	(818,848)
Income tax expense	**–**	–
Total comprehensive loss for the year	**(3,892,632)**	(818,848)
Attributable to:		
Owners of the parent	**(3,887,309)**	(818,583)
Non-controlling interests	**(5,323)**	(265)

1. Revenue and Cost of Sales

During the Reporting Period, the Group's revenue primarily consists of collaboration income from two pharmaceutical companies in respect of granting relevant licenses. Cost of sales mainly represented R&D costs incurred under the out-licensing arrangements for the year ended December 31, 2021.

Management Discussion and Analysis

2. Other Income and Gains

During the Reporting Period, the Group's other income and gains primarily consisted of government grants income, contract development and manufacturing ("**CDM**") services, and interest income. For the year ended December 31, 2021, the other income and gains of the Group increased by RMB11.5 million to RMB52.7 million for the year ended December 31, 2021. The increase was primarily attributable to the increase of government grants income and CDM service income by RMB10.4 million and RMB21.5 million, respectively, partially set off by the decrease of exchange gain by RMB21.8 million.

3. Research and development expenses

During the Reporting Period, the Group's research and development expenses primarily consisted of (i) expenses incurred in connection with pre-clinical and clinical studies, including third-party contracting costs with respect to the engagement of CROs, clinical trial sites and other service providers in connection with our research and development activities; (ii) employee compensation for our research and development employees; (iii) expenses for procuring raw materials and consumables used in the research and development of our drug candidates; and (iv) depreciation and amortization of property, plant and equipment and other intangible assets related to research and development activities. For the year ended December 31, 2021, the research and development expenses of the Group increased by RMB230.8 million to RMB358.2 million. The increase was primarily attributable to the increase of employee compensation by RMB142.4 million, and the increase of clinical trial and pre-clinical study expenses by RMB76.6 million. Such increase was consistent with the expansion of our research and development team and the ramp up of the scale of our research and development plans during the Reporting Period.

4. Administrative expenses

During the Reporting Period, the Group's administrative expenses primarily consisted of (i) employee compensation for our administrative employees; (ii) depreciation and amortization expenses for operating activities; (iii) depreciation and amortization of property, plant and equipment and other intangible assets related to administrative activities: (iv) professional services fees paid to legal counsel, agents, auditor, and other professional service providers, incurred in connection with business operations; and (v) travelling expenses of our administrative employees. For the year ended December 31, 2021, the administrative expenses of the Group increased by RMB70.9 million to RMB92.5 million. The increase was primarily attributable to the increase of employee compensation and professional services fees by RMB38.3 million and RMB18.8 million, respectively.

5. Listing Expenses

Listing expenses represent expenses incurred for our IPO. We recorded listing expenses of RMB37.9 million for the Reporting Period.

6. Fair Value Losses on Convertible Redeemable Preferred Shares

During the Reporting Period, the Group recorded fair value loss on convertible redeemable preferred shares of RMB3,480.3 million. Such loss on the fair value changes of convertible redeemable preferred shares was a non-cash and non-recurring item. The fair value of the convertible redeemable preferred shares was deemed to have increased as a result of the Company's IPO.

Management Discussion and Analysis

7. Other Expenses

During the Reporting Period, the Group's other expenses primarily consisted of exchange loss. For the Reporting Period, the other expenses of the Group increased by RMB57.6 million to RMB57.7 million. The increase was primarily attributable to the increase of exchange loss.

8. Finance Costs

During the Reporting Period, the Group's finance costs primarily consisted of implicit interest on other financial liabilities and interest on lease liabilities. For the Reporting Period, the finance costs of the Group decreased by RMB3.2 million to RMB11.1 million. The decrease was primarily attributable to the decrease of the implicit interest on other financial liabilities by RMB3.2 million.

9. Share of loss of a joint venture

During the Reporting Period, our shared loss from the 50%-owned joint venture, Beijing Tiannuo Pharma Tech Co., Ltd., amounted to RMB0.7 million. The increase was primarily attributable to the expenses of clinical-studies incurred by the joint venture during the Reporting Period.

10. Income tax expense

We did not recognize any income tax expense for the Reporting Period.

11. Selected Data from Consolidated Statement of Financial Position

	As at December 31, 2021 ***RMB'000***	As at December 31, 2020 *RMB'000*
Total current assets	**3,581,949**	380,917
Total non-current assets	**352,506**	149,028
Total assets	**3,934,455**	529,945
Total current liabilities	**112,075**	80,240
Total non-current liabilities	**176,998**	1,544,508
Total liabilities	**289,073**	1,624,748
Net current assets	**3,469,874**	300,677

12. Liquidity and Capital Resources

As at December 31, 2021, our cash and bank balances, time deposits and bank wealth management products increased by RMB3,170.5 million to RMB3,524.6 million from RMB354.1 million as at December 31, 2020. The increase was primarily attributable to cash inflows from the Company's series c financing and the IPO, partially offset by the cash outflows used in our daily business operation during the Reporting Period.

Management Discussion and Analysis

As at December 31, 2021, the current assets of the Group were RMB3,581.9 million, including cash and bank balances of RMB1,520.6 million, time deposits of RMB1,950.6 million and other current assets of RMB110.7 million. As at December 31, 2021, the current liabilities of the Group were RMB112.1 million, including trade payables of RMB2.8 million, other payables and accruals of RMB95.4 million, lease liabilities of RMB11.7 million and other current liabilities of RMB2.2 million.

For the year ended December 31, 2021, our net cash used in operating activities increased by RMB95.2 million to RMB214.6 million from RMB119.4 million for the year ended December 31, 2020. The increase was primarily attributable to our business expansion as well as the progress advancement of our clinical trials. As at December 31, 2021, the Group's cash and bank balances and time deposits aggregated to RMB3,471.2 million.

For the year ended December 31, 2021, our net cash used in investing activities increased by RMB1,922.8 million to RMB2,035.9 million from RMB113.1 million for the year ended December 31, 2020. The increase was primarily attributable to the significant increase in the placement of time deposits.

For the year ended December 31, 2021, our net cash from financing activities increased by RMB3,631.0 million to RMB3,638.4 million from RMB7.4 million for the year ended December 31, 2020. The increase was primarily attributable to proceeds received by the Company from issue of series c preferred shares and proceeds received from the IPO.

As part of our treasury management, we invest in certain wealth management products to better utilize excess cash when our cash sufficiently covers our ordinary course of business. We have implemented a series of internal control policies and rules setting forth overall principles as well as detailed approval process of our investment activities. Under our investment policy, we generally limit our purchases to low-risk, short-term products from reputable commercial banks which must not interfere with our daily operation and business prospects.

We recorded other investments classified as financial assets at FVTPL of RMB53.4 million as of December 31, 2021. We manage and evaluate the performance of these investments on a fair value basis in accordance with our risk management and investment strategy. Therefore, these investments in wealth management products were designated as financial assets at FVTPL as of December 31, 2021.

13. Gearing Ratio

The gearing ratio (calculated by total liabilities divided by total assets) of the Group as of December 31, 2021 was 7%, representing a decrease of 300% from the gearing ratio of 307% as at December 31, 2020.

14. Indebtedness

As at December 31, 2021, we did not have any borrowings nor any unutilized credit facilities.

As at December 31, 2021, the lease liabilities increased by RMB14.2 million to RMB38.7 million as the result of the increase of right-of-use assets.

As at December 31, 2021, the other financial liabilities increased by RMB9.7 million to RMB141.3 million as the result of the recognition of the implicit interest expenses.

Management Discussion and Analysis

15. Significant Investment, Material Acquisitions and Disposals

The Group did not have significant investment, material acquisitions or disposals of subsidiaries, associates and joint ventures for the year ended December 31, 2021.

16. Contingent Liabilities

As of December 31, 2021, the Company did not have any contingent liabilities. The Company confirms that as of the date of this report, there had been no material changes or arrangements to our contingent liabilities.

17. Capital Commitments

As of December 31, 2021, we had capital commitments contracted, but not yet provided, of RMB254.3 million, which were related to the purchase of property, plant and equipment for the Group's production plant. We intend to fund the commitments with proceeds from the Company's prior fundraising activities.

18. Pledge of Assets

As of December 31, 2021, the Group has not pledged or charged any assets.

19. Foreign Exchange Exposure

During the Reporting Period, the Group mainly operated in China and a majority of its transactions were settled in Renminbi, the functional currency of the Company's primary subsidiaries. The Group is exposed to foreign currency risk as a result of certain cash and bank balances and time deposits, and redeemable and convertible preferred shares denominated in non-functional currency. We currently do not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

20. Human Resources

As of December 31, 2021, we had 325 employees in total, who were all based in China. In compliance with the relevant PRC labor laws, we enter into individual employment contracts with our employees covering matters such as terms, wages, bonuses, employee benefits, workplace safety, confidentiality obligations and grounds for termination.

To remain competitive in the labor market, we provide various incentives and benefits to our employees. We invest in continuing education and training programs, including internal and external training, for our management staff and other employees to upgrade their skills and knowledge. We also provide competitive salaries and opportunity to participate in share incentive schemes to our employees. We believe our benefits, working environment and development opportunities for our employees have contributed to good employee relations and employee retention.

Our Company has adopted a RSU Scheme on April 5, 2021 (further details of which are set forth in our Prospectus) and a 2022 RSU Scheme on January 21, 2022 (further details of which are set forth in the Company's announcement dated January 21, 2022 and January 28, 2022). During the Reporting Period, restricted share units underlying 5,119,984 Shares had been awarded under the RSU Scheme.

Directors and Senior Management

DIRECTORS

Executive Directors

Dr. Bo CHEN, aged 48, has been a Director since April 23, 2018 and was re-designated as an executive Director on April 3, 2021 and currently serves as the chairman of our Board and our chief executive officer. Dr. Chen has been serving as the chief executive officer of Chengdu Keymed since December 2016 and its chairman since December 2018. Dr. Chen is primarily responsible for the overall strategic planning, business direction and operational management of our Group.

Dr. Chen has extensive experience in the pharmaceutical industry. Dr. Chen founded Wuhan Huaxin Kangyuan Biopharma Co., Ltd. (武漢華鑫康源生物醫藥有限公司) in June 2011, a biopharmaceutical company focusing on development of monoclonal antibodies drugs. Subsequently, from January 2013 to March 2015, Dr. Chen served as the general manager and an executive director at Shanghai Junshi Biosciences Co., Ltd., ("**Junshi Bioscience**"), a dual listed company in Hong Kong (stock code: 1877) and Shanghai (stock code: 688180) and subsequently served as the chief scientist until December 2016, Dr. Chen remained as a director of Junshi Bioscience until March 2018.

Dr. Chen obtained his bachelor's degree in cell biology from Wuhan University (武漢大學) in the PRC in July 1996. Dr. Chen proceeded to obtain his PhD. in fertility and molecular biology from the Albert Einstein College of Medicine of Yeshiva University in United States in September 2003.

Dr. Changyu WANG, aged 57, has been a Director since March 3, 2021 and was re-designated as an executive Director on April 3, 2021. He is primarily responsible for directing and overseeing overall research and development management. Dr. Wang is the senior vice president of the Company and Chengdu Keymed.

Dr. Wang possesses more than 24 years of experience in research and development of biopharmaceuticals. From April 1998 to March 2001, he was a research scientist at Chiron Corporation. From April 2001 to August 2009, he was a senior scientist at Medarex, Inc., which was formerly listed on NASDAQ until acquisition by Bristol Myers Squibb, a company listed on the New York Stock Exchange (stock code: BMY). From September 2009 to December 2013, he was a senior scientist at Bristol-Myers Squibb. From January 2014 to February 2016, he was a director in cancer immunology at Pfizer Inc., a company listed on the New York Stock Exchange (stock code: PFE). Dr. Wang led the development of the world first PD-1 immune checkpoint inhibitor, Nivolumab, which has been approved for commercialization in 2014.

Dr. Wang obtained his bachelor's degree in microbiology from Wuhan University (武漢大學) in the PRC in July 1983. He obtained his master's degree in virology from the National Vaccine and Serum Institute (北京生物製品研究所) in September 1988. He obtained his PhD. in microbiology and immunology from the University of Colorado Medical Center in the United States in August 1994.

Directors and Senior Management

Dr. Gang XU, (徐剛), aged 49, has been a Director since June 21, 2018 and was re-designated as an executive Director on April 3, 2021. Dr. Xu is primarily responsible for directing and overseeing drug discovery and early stage research. Dr. Xu is also the senior vice president of the Company and Chengdu Keymed and the executive director of Chengdu Kangnuo Xing.

Dr. Xu possesses more than 15 years of experience in research and development of biopharmaceuticals. From October 2010 to November 2015, he was a senior scientist at the Roche R&D Center (China) Ltd (羅氏研發(中國)有限公司). He was once the general manager of Suzhou Bojuhua Biomedical Technology Co., Ltd. (蘇州博聚華生物醫藥科技有限公司), where he was responsible for pre-clinical research and operations. Dr. Xu has published research papers on immune system recognition, antibody display and bispecific antibodies in internationally renowned academic journals such as Nature Immunology and the Proceedings of the National Academy of Sciences of the USA.

Dr. Xu obtained his bachelor's degree in genetics from Wuhan University (武漢大學) in the PRC in July 1995. He obtained his PhD. in immunology from the Peking Union Medical College (北京協和醫學院) in the PRC in July 2004. He was a post-doctorate fellow in immunology at the University of Maryland School of Medicine in the USA from January 2005 to October 2010.

Non-executive Directors

Mr. Qi CHEN (陳奇), aged 47, has been a Director since June 21, 2018, and was re-designated as a non-executive Director on April 3, 2021. He participates in decision-making in respect of major matters such as corporate and business strategies.

From April 2001 to November 2015, he was a senior software engineer at Motorola Solutions (China) Co., Ltd. Since June 2017, he was an AI architect at Multipoint Life (Chengdu) Technology Co., Ltd. (多點生活(成都)科技有限公司).

Mr. Chen obtained his bachelor's degree in electrical engineering from (浙江大學) in PRC in July 1996.

Dr. Min Chuan WANG (王閩川), aged 44, has been a Director since March 3, 2021, and was re-designated as a non-executive Director on April 3, 2021. He participates in decision-making in respect of major matters such as corporate and business strategies.

From May 2010 to March 2016, Dr. Wang served at Hony Capital (弘毅投資) as vice president of its health care department. Since August 2016, he has been the founding managing partner of 3H Health Investment (三正健康投資), where he participates in matters related to the establishment and management of the healthcare investment funds and leads its biotech and biopharmaceutical investments.

Dr. Wang also sits on the Hong Kong Stock Exchange's Biotech Advisory Panel (香港聯合交易所生物科技諮詢小組) and the HKSAR Innovation and Technology Fund's Research Project Assessment Panel (香港特別行政區政府創新及科技基金研究項目評估委員會).

Dr. Wang received his bachelor's degree in pharmacy from Peking University in July, 2001. He then obtained his M.Phil. and his Ph.D. from Cambridge University in the United Kingdom in July 2009.

Directors and Senior Management

Mr. Yilun LIU (劉逸倫), aged 36, has been a Director since March 3, 2021, and was re-designated as a non-executive Director on April 3, 2021. He participates in decision-making in respect of major matters such as corporate and business strategies.

Mr. Liu has experience working in the financial industry, including serving as the head of special situation at Anatole Investment Management Limited (晨曦投資管理有限公司). Since April 2018, Mr. Liu has been an executive director at Boyu Capital.

Mr. Liu received his bachelor of science degree in marketing from Fudan University (復旦大學) in the PRC in July 2009. He then obtained his master of business administration degree from Columbia Business School in May 2015.

Independent Non-executive Directors

Prof. Xiao-Fan WANG (王小凡), aged 66, as an independent non-executive Director, is responsible for providing independent advice and judgment to our Board.

Prof. Wang is currently Donald and Elizabeth Cooke Professor of Experimental Oncology and Professor of Pharmacology and Cancer Biology at Duke University Medical Center. In November 2017, He was elected as a foreign academician of the Chinese Academy of Sciences (中國科學院). Between 2012 and 2013, he served as the president of the Society of Chinese Bioscientist in America. Between 2010 and 2013, he has served as a member of the Expert Group of the Major Science Program of the PRC Ministry of Science and Technology (科技部重大科學計劃專家組). From 2010 to 2014, he was a member of the Overseas Expert Advisory Committee of the Overseas Chinese Affairs Office of the State Council (國務院僑辦海外專家諮詢委員會).

Prof. Wang has published more than 160 papers and have been cited more than 16,000 times. From 1992 to 1998, he was an assistant professor in the Department of Pharmacology and Cancer Biology of Duke University. He became an associate professor in 1998, and was promoted to full professorship in 2003. He was appointed the Donald and Elizabeth Cooke Distinguished Professor in 2009.

Prof. Wang obtained his bachelor of science degree in biochemistry from Wuhan University (武漢大學) in the PRC in 1982. In 1986, he received his Ph.D. from the University of California, Los Angeles, and then worked as a postdoctoral researcher at the Massachusetts Institute of Technology.

Prof. Yang KE (柯楊), aged 66, as an independent non-executive Director, is responsible for providing independent advice and judgment to our Board.

Prof. Ke is currently the director of Laboratory of Genetics of Peking University Cancer Hospital (北京大學腫瘤醫院) and an international member of the United States National Academy of Medicine. Prof. Ke is also Vice-president of the Peking University Alumni Association (北京大學校友會), President of the Peking University Health Science Center Alumni Association (北京大學醫學部校友會) and President of the Health Professional Education Committee of the Chinese Association of Higher Education (中國高等教育學會醫學教育專業委員會).

Directors and Senior Management

Prof. Ke's research focus is on the upper gastrointestinal tumors, including the cloning of gastric cancer related genes and the functional study of such genes. Together with her team, she has also established the population cohort in esophageal cancer high incidence regions in China, studied the etiology of esophageal cancer, and evaluated the effects and economic efficacy of early screening of the disease. She has published more than 100 papers and had registered patents and been granted awards at national and provincial levels for technological and educational achievements.

Prof. Ke was a member of the 11th and 12th National Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議), an executive Vice-president of Peking University (北京大學) and of the Peking University Health Science Center (北京大學醫學部), Vice-president of the Chinese Medical Association (中華醫學會), Vice chairperson of the Steering Committee of Clinical Medicine of the Committee of Academic Degrees of the State Council (國家學位委員會臨床醫學教學指導委員會), a member of the Committee of Academic Degrees of the State Council (國務院學位委員會) and the Chairperson of the Working Committee for Medical and Pharmaceutical of the Chinese Society of Academic Degrees and Graduate Education (中國學位與研究生教育學會醫藥科工作委員會). Since August 2019, Prof. Ke has been an independent non-executive director of Tencent Holdings Limited, a company listed on the Stock Exchange (stock code: 700). Since March 2022, Prof. Ke has been an independent director of PICC Health Insurance Company Limited.

Prof. Ke graduated from Beijing Medical College (北京醫學院) (subsequently known as Beijing Medical University (北京醫科大學) and currently known as Peking University Health Science Center (北京大學醫學部)) in 1982. From 1985 to 1988, Prof. Ke worked at the National Cancer Institute of the National Institutes of Health of the United States as a postdoctoral fellow.

Mr. Cheuk Kin Stephen LAW (羅卓堅), aged 59, as an independent non-executive Director, is responsible for providing independent advice and judgment to our Board.

Mr. Law worked at Wheelock and Company Limited (會德豐有限公司), a company formerly listed on the Stock Exchange (stock code: 0020) and The Wharf (Holdings) Limited (九龍倉集團有限公司), a company listed on the Stock Exchange (stock code: 0004) from 1995 to 2000; Morningside Group (晨興創投集團) from 2000 to 2006; and TPG Growth Capital (Asia) Limited from July 2006 to September 2012, where he last served as a managing director. Mr. Law served as (i) the chief financial officer of Guoco Group Limited (國浩集團有限公司), a company listed on the Stock Exchange (stock code: 0053) from October 2012 to June 2013; (ii) the finance director of MTR Corporation Ltd., a company listed on the Stock Exchange (stock code: 0066) from July 2013 to July 2016; (iii) an adjunct professor of the Hong Kong Polytechnic University from 2015 to 2017; (iv) the independent non-executive director of AAG Energy Holdings Limited (亞美能源控股有限公司), a company listed on the Stock Exchange (stock code: 2686) from July 2016 to September 2018 and (v) an independent non-executive director of Stealth BioTherapeutics Inc., a company listed on NASDAQ (ticker symbol: MITO) from June 2018 to July 2019. He has been the managing director of ANS Capital Limited since 2017. From November 2018 to November 2021, he was an independent non-executive director of Bank of Guizhou Co., Ltd. (貴州銀行股份有限公司) (stock code: 6199). Mr. LAW applied for resignation as an independent non-executive director of the Bank of Guizhou Co., Ltd on 29 November 2021, with effect upon the approval of the appointments of his successors by the government. Mr. Law has been an independent non-executive director of the following companies which are listed on the Stock Exchange: (i) China Everbright Limited (中國光大控股有限公司) (stock code: 0165) since May 2018; (ii) Somerley Capital Holdings Limited (新百利融資控股有限公司) (stock code: 8439) since February 2019; (iii) China Galaxy Securities Co., Ltd. (中國銀河證券股份有限公司) (stock code: 06881) since June 2020 and (iv) CSPC Pharmaceutical Group Limited (石藥集團有限公司) (stock code: 1093) since March 2021.

Directors and Senior Management

Notwithstanding Mr. Law's engagement as independent non-executive director on five companies listed on the Stock Exchange, Mr. Law confirmed that he would devote sufficient time to act as our independent non-executive Director based on the following:

(i) none of his current commitment as an independent non-executive director of those listed companies would require his full time involvement and he has not participated in the day-today operations of those listed companies;

(ii) with his background and experience, he is fully aware of the responsibilities and expected time involvements for an independent non-executive director. He has not found difficulties in devoting his time to multiple companies and he is confident that with his experience in taking on multiple corporate roles, he will be able to discharge his duties to our Company;

(iii) he has attended most of the board meetings of the listed companies where he is an independent non-executive director and none of the listed companies that he has directorship with has questioned or complained about his time devoted to such listed companies; and

(iv) his role in our Group is non-executive in nature and he will not be involved in the daily management of our Group's business. Thus his engagement as an independent non-executive Director will not require his full-time participation.

Based on the foregoing, our Directors do not have reasons to believe that the various positions currently held by Mr. Law will result in Mr. Law not having sufficient time to act as our independent non-executive Director or not properly discharging his fiduciary duties as a director of our Company. Nevertheless, pursuant to the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, our Board will (i) regularly review the contribution required from our Directors to perform their respective responsibilities to us, and whether each Director is spending sufficient time in performing their responsibilities; (ii) at the time when it proposes a resolution to elect an individual as an independent non-executive Director at the general meeting, set out the reasons in the circular to Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why our Board believes such individual should be elected, the reasons why such individual is considered to be independent by our Board and, if required under the Corporate Governance Code, explain why such individual would still be able to devote sufficient time to our Board.

Mr. Law obtained his bachelor's degree majoring in science (civil engineering) from University of Birmingham in the United Kingdom in July 1984 and his MBA degree from University of Hull in the United Kingdom in July 1996. Mr. Law was a council member of the Hong Kong Institute of Certified Public Accountants (HKICPA) from January 2010 to December 2017 and he currently holds the position since 2022. Mr. Law is now a member of the HKICPA and the Institute of Chartered Accountants in England and Wales, a council member of Hong Kong Business Accountants Association Ltd. (HKBAA) and a consulting expert in accounting appointed by the Ministry of Finance in the PRC. Mr. Law is also a council member of The Hong Kong Independent Non-Executive Director Association Limited (HKiNEDA). Mr. Law has accounting qualifications in Hong Kong and the United Kingdom.

Directors and Senior Management

Prof. Linqing LIU (劉林青), aged 47, as an independent non-executive Director, is responsible for providing independent advice and judgment to our Board.

Prof. Liu has taught at the Economics and Management School of Wuhan University (武漢大學經濟與管理學院) since July 2002 and now serves as a professor and doctoral supervisor. He is also the director of the Department of Business Administration of Wuhan University (武漢大學工商管理系) and the director of the Institute of Business Strategic Management of Wuhan University (武漢大學企業戰略管理研究所). His research areas focus on corporate strategic management, business administration and management education. Prof. Liu was an independent non-executive director of Aotecar New Energy Technology Co., Ltd (奧特佳新能源科技股份有限公司) (formerly known as Jiangsu Kingfield Garments Co., Ltd. (江蘇金飛達服裝股份有限公司)) (stock code: 002239), a listed company on the Shenzhen Stock Exchange. Prof. Liu was an independent non-executive director of Wuhan Humanwell Hi-tech Ind. Co., Ltd. (人福醫藥集團股份有限公司) (stock code: 600079), a listed company on the Shanghai Stock Exchange from 2009 to 2015. He is currently an independent director of HuBei SanFeng Intelligent Convey Co., Ltd. (湖北三豐智能輸送裝備股份有限公司) (stock code: 300276) and Wuhan P&S Information Co., Ltd. (武漢力源信息技術股份有限公司) (stock code: 300184), both listed on the Shenzhen Stock Exchange as well as Mabpharm Limited (stock code: 2181), a company listed on the Stock Exchange.

Prof. Liu graduated from Wuhan University (武漢大學), with a double bachelor degree in science and management and a master degree in management in 1995 and 1999, respectively. Prof. Liu obtained a doctorate degree in management from Wuhan University (武漢大學) in 2002. Prof. Liu was accredited as a certified public accountant by the Hubei Institute of Certified Public Accountants (湖北註冊會計師協會) in December 2009.

SENIOR MANAGEMENT

For details of senior management who are also our Director"- Directors – Executive Directors" in this section.

Dr. Qian JIA (賈茜), aged 57, has been a senior vice president of the Company since March 2018. She has been the senior vice president of Chengdu Keymed and is responsible for development and evaluation of drug candidates, pharmaceutical research and registration matters she is also the general manager of Chengdu Kangnuo Xing, where she is responsible for pilot-scale experiments, the design of production base, and production management.

Dr. Jia had over 33 years of experience in pharmaceutical research. From July 1987 to July 2011, she worked at North China Pharmaceutical Group New Drug Research and Development Co., Ltd. (華北製藥集團新藥研究開發有限責任公司) ("**North China Pharmaceutical Group**"). She last served as its senior vice president, chief scientist, and director of the state key laboratory for antibody drug development. Under her leadership, North China Pharmaceutical Group received the title of "National Laboratory for Antibody Development" from the Ministry of Science and Technology of the PRC. From June 2011 to June 2015, she was the vice general manager of Shanghai Biomax Pharmaceutical Co., Ltd. (上海百邁博製藥有限公司), where she was primarily responsible for quality control. From June 2015 to March 2018, she was the deputy general manager at Shanghai Xiesheng Pharmaceutical Technology Co., Ltd. (上海諧生醫藥科技有限公司). She had been an adjunct professor at Wuhan University (武漢大學) in the PRC.

Directors and Senior Management

Dr. Jia obtained her bachelor's degree in virology and molecular biology from Wuhan University in July 1987. She then obtained her master's degree in pharmaceutical analysis from Hebei Medical University (河北醫科大學藥學院) in June 2002. In July 2006, she obtained her PhD. in pathogen molecular biology from the Chinese Center for Disease Control and Prevention (中國疾病控制中心). Dr. Jia was also recognized as a senior engineer (正高級工程師) in pharmaceutical engineering by the Title Reform Leading Group Office of Hebei Province (河北省職稱改革領導小組) in December 2004.

Mr. Yanrong ZHANG (張延榮), aged 35, has been the chief financial officer of the Company since September 2020, and is responsible for overall management of financial, fundraising and business development. He is also a vice president of Chengdu Keymed.

From July 2012 to September 2020, he worked at the investment banking department of China International Capital Corporation (中金公司), with his last position as vice president.

Mr. Zhang graduated with a bachelor's degree in business administration from Shandong University (山東大學) in the PRC in July 2009. He then obtained his master's degree from the University of Sheffield in the United Kingdom in January 2011.

Dr. Jinchun YAN, aged 43, has been the Chief Medical Officer of the Company since January 2022, and is responsible for global new drug R&D and global clinical development strategy and execution of the Company. Dr. Yan has over 20 years of experience in the clinical practice and pharmaceutical industries. From October 2014 to September 2016, she served as the clinical director at Bayer (拜耳製藥公司) in the United States, primarily responsible for the clinical development of Radium-223 and the bispecific antibody drugs. From September 2016 to April 2017, she served as the senior clinical research director at Johnson & Johnson (強生製藥公司) in the United States, primarily responsible for the clinical development of Daratumumab and anti-IL3R. From April 2017 to October 2020, she was the senior global clinical lead at Bristol-Myers Squibb in the United States. She led the team to successfully obtain Bristol-Myers Squibb's first FDA Pilot Program (RTOR, Project Orbis, AAid) for Nivolumab and Ipilimumab with rapid, concurrent global multi-country pilot rapid concurrent approval. From October 2020 to January 2022, she served as the chief medical officer at Ambrx Biopharma, Inc. in the United States, where she led and quickly advanced multiple global ADC programs and helped the Company's listing on the New York Stock Exchange in the United States. She has been a member of the scientific steering committee at Ambrx Biopharma, Inc. in the United States since January 2022. She has been an independent director of Checkmate Pharmaceuticals, Inc. in the United States since December 2021 and an independent director of Moleculin Biotech, Inc. in the United States since March 2022.

Dr. Yan graduated from the seven-year clinical medicine program of China Medical University (she obtained a bachelor's degree in clinical medicine from China Medical University in July 2001 and a master's degree in cell biology from China Medical University in July 2003). She obtained a Ph.D. degree in biochemistry and molecular biology from Johns Hopkins University in the United States in May 2009. Dr. Yan also served as a resident physician and specialist clinical physician at the University of Washington Medical Center in the United States from September 2009 to September 2014.

JOINT COMPANY SECRETARIES

Mr. Yanrong ZHANG (張延榮) was appointed as a joint company secretary of our Company on April 3, 2021. Mr. Zhang is also the chief financial officer of the Company. For further details, please refer to "– Senior Management" in this section.

Ms. Vivien Pak Yu TAM serves as an assistant manager of SWCS Corporate Services Group (Hong Kong) Limited (方圓企業服務集團(香港)有限公司), a professional services provider specializing in corporate services, and has over six years of experience in corporate secretarial field. Ms. TAM has been admitted as an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute of the United Kingdom in 2018. Ms.TAM obtained a bachelor's degree in China Studies from Hong Kong Baptist University in 2014 and a master's degree in Professional Accounting and Corporate Governance from City University of Hong Kong in 2017.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Directors recognize the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability. The Company has adopted the code provisions stated in the Corporate Governance Code contained in Appendix 14 of the Listing Rules. The Company is committed to the view that the Board should include a balanced composition of executive Directors and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

Except for the deviation from CG Code provision A.2.1, the Group's corporate governance practices are in compliance with the CG Code. CG Code provision A.2.1 stipulates that the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. Dr. Bo CHEN is the chairman of the Board and the chief executive officer. With extensive experience in the pharmaceutical industry and having served in our Company since its establishment, Dr. Bo CHEN is in charge of overall strategic planning, business direction and operational management of our Group. Therefore, the Directors consider that the deviation from CG Code provision A.2.1 is appropriate in such circumstance. Notwithstanding from above, the Board is of the view that this management structure is effective for the Group's operations and sufficient checks and balances are in place.

The Group is committed to achieving high standards of corporate governance with a view to safeguarding the interests of the Shareholders as a whole. Save as disclosed above, the Company had complied with the provisions of the CG Code for the period from the Listing Date up to and including December 31, 2021.

THE BOARD OF DIRECTORS

Board composition

As at December 31, 2021, the Board consists of three executive Directors, namely Dr. Bo CHEN, Dr. Changyu WANG and Dr. Gang XU, four non-executive Directors, namely Mr. Qi CHEN, Dr. Dong LYU, Dr. Min Chuan WANG and Mr. Yilun LIU, and four independent non-executive Directors, namely Prof. Xiao-Fan WANG, Prof. Yang KE, Mr. Cheuk Kin Stephen LAW and Prof. Linqing LIU. Dr. Dong LYU resigned on March 29, 2022. An updated list of the Directors and their roles and functions is published on the websites of the Stock Exchange and of the Company, respectively. The overall management and supervision of the Company's operation and the function of formulating overall business strategies were vested in the Board. There are no financial, business, family or other material relationships among members of the Board.

During the year ended December 31, 2021, the Board has at all times met the requirements of Rules 3.10(1) and (2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise. The four independent non-executive Directors represent more than one-third of the Board, complying with the requirement under Rule 3.10A of the Listing Rules whereby independent non-executive directors of a listed issuer must represent at least one-third of the board. The Board believes there is sufficient independence element in the Board to safeguard the interest of Shareholders.

Corporate Governance Report

Directors' responsibilities

The Board takes the responsibility to oversee all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, internal control and risk management systems, and monitor the performance of the senior executives. The Directors have to make decisions objectively in the interests of the Company. As at 31 December 2021, the Board comprised eleven Directors, including three executive Directors, four non-executive Directors and four independent non-executive Directors. Their names and biographical details are set out in the "Directors and senior management" section of this annual report.

Liability insurance for Directors and senior management of the Company is maintained by the Company with appropriate coverage for certain legal liabilities which may arise in the course of performing their duties.

Delegation by the Board

The management, consisting of executive Directors along with other senior executives, is delegated with responsibilities for implementing the strategy and direction as adopted by the Board from time to time, and conducting the day-to-day management and operations of the Group. Executive Directors and senior executives meet regularly to review the performance of the businesses of the Group as a whole, co-ordinate overall resources and make financial and operational decisions. The Board also gives clear directions as to their powers of management including circumstances where management should report back, and will review the delegation arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

Directors' responsibilities for financial statements

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Directors also acknowledge their responsibilities to ensure that the consolidated financial statements of the Group are published in a timely manner, with a balanced, clear and understandable assessment of the Group's position and prospects. The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the consolidated financial statements of the Group on a going concern basis.

Independent non-executive Directors

The independent non-executive Directors play a significant role in the Board by virtue of their independent judgment and their views carry significant weight in the Board's decision. The functions of independent non-executive Directors include bringing an impartial view and judgement on issues of the Company's strategies, performance and control; and scrutinizing the Company's performance and monitoring performance reporting.

All independent non-executive Directors possess extensive academic, professional and industry expertise and management experience and have made positive contributions to the development of the Company through providing their professional advice to the Board.

All independent non-executive Directors are appointed for a term of three years.

Corporate Governance Report

Confirmation of independence

The independence of the independent non-executive Directors has been assessed in accordance with the applicable Listing Rules and each of the independent non-executive Directors has provided an annual written confirmation of independence to the Company pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors meet the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules and are independent.

Board diversity policy

In order to enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy which sets out our objectives and approach to achieve and maintain diversity of our Board. Pursuant to the board diversity policy, we seek to achieve board diversity through the consideration of a number of factors when selecting the candidates to our Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural, education background and other qualities. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board.

Our Directors have a balanced mix of knowledge, skills, perspectives and experience, including overall management and strategic development, business, science, investment, accounting and consulting. They obtained professional and academic qualifications including Ph.D. in pharmaceutical and other areas, as well as accounting qualifications. Furthermore, the Board possesses members spanning a wide range of ages. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of our Board satisfies our board diversity policy, and our Board and the nomination committee of our Company will assess the Board composition regularly.

Our nomination committee is responsible for reviewing the diversity of our Board. After Listing, our nomination committee will continue to monitor and evaluate the implementation of the board diversity policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the board diversity policy, including any measureable objectives set for implementing the board diversity policy and the progress on achieving these objectives on an annual basis. We will also continue to take steps to promote gender diversity at all levels of our Company, including but without limitation at our Board and senior management levels.

Appointment, re-election and removal of Directors

Each of the executive Directors, non-executive Director and independent non-executive Directors has entered into a service contract or a letter of appointment with the Company for an initial term of three years commencing from the Listing Date, subject to renewal after expiry of the then current term. Such term is subject to his retirement by rotation and re-election at an annual general meeting of the Company in accordance with the Articles of Association. The Articles of Association provide that the Company may by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following annual general meeting and shall then be eligible for re-election at such meeting.

In accordance with the Articles of Association, at each annual general meeting of the Company, one-third of the Directors for the time being, shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The members of the Company may, at any general meetings convened and held in accordance with the Articles of Association, by ordinary resolution remove a Director at any time before the expiration of his period of office notwithstanding anything to the contrary in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for damages under any such agreement).

Corporate Governance Report

Compensation of Directors and Senior Management

The emoluments of the Directors and Senior Management of the Group are decided by the Board with reference to the recommendation given by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

Details of Directors and the top five highest paid individuals are set out in notes 10 and 11 to the consolidated financial statements. During the Reporting Period, no emoluments were paid by the Group to any Directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. For the year ended December 31, 2021, none of the Directors has waived or agreed to waive any emoluments.

Except as disclosed above, no other payments have been made or are payable, for the year ended December 31, 2021, by the Group to or on behalf of any of the Directors.

Directors' training and professional development

Every newly appointed Director has been given a comprehensive, formal and tailored induction on appointment. Subsequently, the Directors will receive updates on the Listing Rules, legal and other regulatory requirements and the latest development of the Group's business and are encouraged to participate in continuous professional development to develop their knowledge and skills.

During the year ended December 31, 2021, the Directors were regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expense.

During the year ended December 31, 2021, each of the Directors has attended the training courses conducted by the legal adviser of the Company. The content of such training related to the duties of directors and on-going obligations of listed companies.

Board meetings

Code provision A.1.1 of the CG Code stipulates that Board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communications. Apart from regular Board meetings, the Chairman should at least annually hold meeting with the independent non-executive Directors without the presence of other Directors under the code provision A.2.7 of the CG Code.

During the year ended December 31, 2021, two Board meetings were held at which the Board considered and approved the Global Offering, interim results announcement, interim report and other business affairs of the Group. The Company expects to continue to convene at least four regular meetings in each financial year at approximately quarterly intervals in accordance with code provision A.1.1 of the Corporate Governance Code.

Corporate Governance Report

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

	Number of meeting(s) attended/number of meeting(s) held for the year ended December 31, 2021			
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee[1]**	**Nomination Committee[2]**
Executive Directors				
Dr. Bo CHEN	2	N/A	N/A	N/A
Dr. Changyu WANG	2	N/A	N/A	N/A
Dr. Gang XU	2	N/A	N/A	N/A
Non-executive Directors:				
Mr. Qi CHEN	2	1	N/A	N/A
Dr. Dong LYU[3]	2	N/A	N/A	N/A
Dr. Min Chuan WANG	2	N/A	N/A	N/A
Mr. Yilun LIU	2	N/A	N/A	N/A
Independent Non-executive Directors:				
Prof. Xiao-Fan WANG	2	N/A	N/A	N/A
Prof. Yang KE	2	N/A	N/A	N/A
Mr. Cheuk Kin Stephen LAW	2	1	N/A	N/A
Prof. Linqing LIU	2	1	N/A	N/A

Notes

(1) During the period from the Listing Date to December 31, 2021, the Remuneration Committee did not hold any meeting. Subsequent to the year end, the Remuneration Committee held a meeting on March 29, 2022.

(2) During the period from the Listing Date to December 31, 2021, the Nomination Committee did not hold any meeting. Subsequent to the year end, the Nomination Committee held a meeting on March 29, 2022.

(3) Dr. Dong LYU resigned on March 29, 2022.

The Board intends to meet at least four times per year in the future, and the Chairman intends to hold at least one meeting per year with the independent non-executive Directors without the presence of other Directors.

A tentative schedule for regular Board meetings for 2022 will be provided to the Directors at the beginning of the year. At least 14 days' notice for all regular Board meetings will be given to all Directors and all Directors will be given the opportunity to include items or businesses for discussion in the agenda. For all other Board meetings, reasonable notice will be given. Relevant agenda and accompanying Board papers will be sent to all Directors at least three days in advance of every regular Board meeting.

Corporate Governance Report

BOARD COMMITTEES

The Board has established three committees with specific written terms of reference to oversee particular aspects of the Group's affairs.

Audit Committee

The Company established the audit committee in compliance with Rules 3.21 to 3.23 of the Listing Rules with written terms of reference in compliance with the Corporate Governance Code set forth in Appendix 14 to the Listing Rules. The primary functions of the audit committee are assist our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group, overseeing the audit process, and performing other duties and responsibilities as assigned by our Board.

The audit committee consists of one non-executive Director, Mr. Qi Chen, and two independent non-executive Directors, Mr. Cheuk Kin Stephen Law and Prof. Linqing Liu, with Mr. Cheuk Kin Stephen Law as the chairman. Mr. Cheuk Kin Stephen Law is appropriately qualified under Rules 3.10(2) and 3.21 of the Listing Rules.

For the year ended December 31, 2021, the audit committee convened 1 meeting. The attendance record of the Directors at meetings of the audit committee is set out in the table on page 37.

During the meeting, the audit committee:

- reviewed interim results of the Group for the six-months ended June 30, 2021; and
- reviewed the financial reporting system, compliance procedures, internal control (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function and risk management and internal control systems and processes).

Remuneration Committee

The Company established the remuneration committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules. The primary functions of the remuneration committee include, but are not limited to, the following: (i) making recommendations to our Board on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) determining the specific remuneration packages of all Directors and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Board from time to time.

The remuneration committee consists of one executive Director, Dr. Changyu Wang, and two independent non-executive Directors, Prof. Xiao-Fan Wang and Prof. Yang Ke, with Prof. Xiao-Fan Wang as the chairman.

Corporate Governance Report

Nomination Committee

The Company established the nomination committee with written terms of reference in compliance with Appendix 14 to the Listing Rules. The primary functions of the nomination committee include, without limitation, reviewing the structure, size and composition of our Board, assessing the independence of independent non-executive Directors and making recommendations to our Board on matters relating to the appointment of Directors. In identifying and selecting suitable candidates for directorships, the nomination committee would consider the candidate's gender, skills, age, professional experience, knowledge, cultural, education background and other qualities. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board. The Company has adopted nomination policy, which is incorporated in the terms of reference of the nomination committee and sets out the selection criteria and nomination procedures for identifying and recommending candidates for appointment or reappointment of Director.

The nomination committee consists of one executive Director, Dr. Bo Chen, and two independent non-executive Directors, Prof. Xiao-Fan Wang and Prof. Linqing Liu, with Dr. Bo Chen as the chairman.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the guidelines for the Directors' dealings in the securities of the Company since the Listing and, upon specific enquiries of all the Directors, each of them has confirmed that he complied with all applicable code provisions under the Model Code since the Listing and up to December 31, 2021.

As required by the Company, relevant officers and employees of the Company are also bound by the Model Code, which prohibits them to deal in securities of the Company at any time when he/she possesses insider information in relation to those securities. No incident of non-compliance with the Model Code by the relevant officers and employees was noted by the Company.

REMUNERATION PAYABLE TO MEMBERS OF SENIOR MANAGEMENT

Pursuant to code provision B.1.5 of the Corporate Governance Code, the annual remuneration of members of the senior management (other than Directors) by band for the year ended December 31, 2021 is set out below:

Remuneration band	Number of members of senior management
HK$2,000,001 to HK$3,000,000	1
HK$3,000,001 to HK$4,000,000	1
HK$8,000,001 to HK$9,000,000	1
HK$114,000,001 to HK$115,000,000	1

Corporate Governance Report

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties including:

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company's compliance with Appendix 14 to the Listing Rules (Corporate Governance Code and Corporate Governance Report).

The Board had performed the above duties during the year ended December 31, 2021.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness in order to achieve the Company's objectives. The Company adopted a series of internal control policies, measures, and procedures designed to provide reasonable assurance, which including effective standards, efficient operations, reliable financial reporting and compliance with applicable laws and regulations. The internal control system can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure to achieve business objectives. Below is a summary of the internal control policies, measures, and procedures we have implemented:

- The Company conducted, an annual audit of the internal controls of each business department, a review on the effectiveness of the risk management and internal control systems and considered them effective and adequate. The audit included reviewing the management of financial statements, sales and receivables, purchasing and payment, fixed assets and intangible assets, human resource, research and development, nature and extent of significant risks (and the Company's ability to respond to such risks and changes). The audit procedures could be summarized as below, including not limited:
    - o Interview with responsible personnel;
    - o Obtain and review the required documents;
    - o Test the design and operating effectiveness of the internal control system
- The Company published the risk management and internal control policies, measures and procedures to ensure that the Company maintained reasonable and effective internal controls and compliance with applicable laws and regulations. Besides, the Company insisted on monitoring the implementation of internal control policies, measures, and procedures, making sure that they were the most updated version based on the current business model.

Corporate Governance Report

- The Company implemented the relevant internal control policies, measures and procedures on the site and making quarterly and annual regular inspections about the on-site implementation of such policies, measures, and procedures for each stage of the Company's drug discovery and development process.

- The Company adopted various measures and procedures regarding each aspect of the Company's business operation, such as project management, quality assurance, environmental protection, and occupational health and safety. The Company provided the periodic training for the employees, which was one part of Employee Training Program. The Company also required the staff to carry out business activities in accordance with relevant laws, regulations and Company policies by regularly communicating updates and reminders through emails, staff meetings.

- The Company has developed internal policies that provide general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to prevent unauthorized access and use of inside information.

- The Company has also developed a risk management process to identify, evaluate and manage significant risks and to resolve material internal control defects. Senior management of the Group is responsible for the risk reporting process. Risks identified are documented and mitigation plans are deviced. The risk assessment is reviewed by certain members of the senior management and presented to the Audit Committee and the Board for their review.

- The audit committee had the responsibility for monitoring the effectiveness of the risk management and internal control systems. It is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective internal control systems.

- The Company engaged Somerley Capital Limited as the compliance adviser to provide professional advice to Directors and management team for the period commencing from the Listing Date and the ending on the date that our Company dispatched its annual report in respect of the first full financial year results regarding of the Listing Rules.

AUDITOR'S REMUNERATION

For the year ended December 31, 2021, the remunerations paid or payable to Ernst & Young, the external auditor of the Company, in respect of its audit services and non-audit services are approximately RMB2,800,000 and RMB325,000, respectively. A statement by Ernst & Young about their reporting responsibilities for the financial statements is included in the Independent Auditors' Report on pages 83 to 87.

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

Services rendered for the Company	Fees paid and payable RMB'000
Audit service	2,800
Non-audit service	325

The fees excluded the service fees paid/payable to Ernst & Young as the reporting accountant of the Company in connection with the IPO.

Corporate Governance Report

JOINT COMPANY SECRETARIES

Directors have access to the services of the joint company secretary to ensure that the board procedures are followed. The current joint company secretaries of the Company are Mr. Yanrong ZHANG and Ms. Vivien Pak Yu TAM. Starting from March 29, 2022, Mr. Keith Shing Cheung WONG ceased to be one of our joint company secretaries, and Ms. Tam replaced Mr. Wong as the joint company secretary of the Company with effect from March 29, 2022.

After the aforesaid service termination, Mr. Zhang and Ms. Tam continued to act as the joint company secretaries of the Company. Ms. Tam has the necessary qualifications and experience as required under Rules 3.28 and 8.17 of the Listing Rules. Ms. Tam is an assistant manager of SWCS Corporate Services Group (Hong Kong) Limited and appointed as a joint company secretary.

In compliance with Rule 3.29 of the Listing Rules, Mr. Zhang and Mr. Wong have undertaken no less than 15 hours of relevant professional training during the year of 2021. The main contact person of Mr. Wong and Ms. Tam in the Company is Mr. Zhang.

The biographies of Mr. Zhang and Ms. Tam are set out in the "Directors and Senior Management" section on page 32 of this annual report.

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting

Pursuant to Article 12.3 of the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two calendar months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting forward proposals at general meetings

There are no provisions under the Articles of Association regarding procedures for shareholders to put forward proposals at general meetings other than a proposal of a person for election as Director. Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

As regards the procedures for shareholders to propose a person for election as a Director, they are available on the Company's website at www.keymedbio.com.

Corporate Governance Report

Enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the joint company secretary of the Company at the Company's principal place of business in Hong Kong at Room 1701 Lippo Centre Tower 2, Queensway, Hong Kong. The Company will not normally deal with verbal or anonymous enquiries.

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 annual general meeting, directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

To promote effective communication, the Company maintains a website at www.keymedbio.com, where information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access.

CHANGES IN CONSTITUTIONAL DOCUMENTS

The amended and restated Memorandum and Articles of Association of the Company were adopted with effect from the Listing Date. Save as disclosed above, during the year ended December 31, 2021, the Company has not made any changes to its Memorandum and Articles of Association. The amended and restated Memorandum and Articles of Association are available on the websites of the Company and the Stock Exchange.

Environmental, Social and Governance Report

ABOUT THE REPORT

Keymed Biosciences Inc. ("**the Company**", "**Company**", "**we**" or "**Keymed**") is pleased to release the 2021 Environmental, Social and Governance (known as "**ESG**") Report ("**ESG Report**" or "**this Report**"), which is designed to reveal the Company's performance of ESG responsibilities in 2021, and to respond to the stakeholders regarding their concerns of the ESG issues.

Scope of the Report

This Report covers all operations of Keymed. The time frame of this Report is from January 1, 2021, to December 31, 2021 (the "**Reporting Period**").

Preparation Basis

This Report is prepared according to the Environmental, Social and Governance Reporting Guide ("**ESG Guide**") in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") issued by The Stock Exchange of Hong Kong Limited ("**SEHK**"). It complies with the four reporting principles of materiality, quantitative, balance and consistency set out in the ESG Guide, as well as the provisions of "mandatory disclosure" and "comply or explain".

Materiality: The Company confirms the impact of ESG-related issues on internal and external stakeholders through the materiality issue evaluation process, so as to primarily respond to and disclose issues that have important impacts.

Quantitative: The Company establishes a data statistics mechanism for the measurable key performance indicators specified in the ESG Guide, discloses the calculation results in this Report, and specifies the calculation basis and statistical specifications.

Balance: This Report reflects the objective facts, disclosing both positive and negative indicators.

Consistency: This Report is the first ESG report of the Company. The Company will follow consistent disclosing and statistical methods in order to maintain the consistency for future references.

Data Sources and Reliability Statement

All information disclosed in this Report is obtained from the Company's internal documents. This Report contains no false records, misleading statements or material omissions. The Board of the Company are willing to bear responsibility collectively and individually for the authenticity, accuracy and completeness of its contents.

Access and Response to this Report

This Report is available for viewing and downloading on the websites of the Hong Kong Exchanges and Clearing Limited (https://www.hkexnews.hk) and the Company (https://www.keymedbio.com). If you have any opinions regarding this Report or related, please contact us through the following channel:

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Website: www.keymedbio.com
E-mail: pr@keymedbio.com

Environmental, Social and Governance Report

ESG GOVERNANCE

Keymed has always been committed to maintaining high-standard corporate governance, strictly followed relevant laws, regulations and regulatory requirements such as *the Company Law of the People's Republic of China and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited*, to standardize the responsibilities of governance entities, and strengthen compliance and risk management with an aim to protect the rights and interests of stakeholders, enhancing the value of the enterprise itself. The Company is actively setting up the ESG governance system, taking the ESG-related factors into account in its daily operating decisions, so as to continuously improve its ESG governance capability and level.

Board Statement

As the Company is an innovative biopharmaceutical company listed for the first time on the SEHK, its board of directors actively seeking expectations of the ESG management and construction from the capital markets and rating agencies. In the first year of ESG report disclosure, the board of directors of Keymed decided that the audit committee should be responsible for managing ESG-related matters, including formulating and reviewing ESG-related targets and its measures; studying strategic management policies of ESG and evaluating its management process; identifying ESG-related risks and continuously supervising the implementation of ESG management, as well as identifying the matters that may cause significant impacts and risks to the Company.

Stakeholder Communication

The Company highly values the communication with stakeholders and takes the initiative to know about stakeholders' expectations and suggestions on the Company's ESG performance through various channels, so as to formulate sustainable development objectives and strategies more specifically. Major stakeholders of the Company include shareholders and investors, employees, suppliers and other partners, society and the public.

Keymed actively seeks strategic cooperation with resourceful partners, with an aim to support the development of the Company's clinical trial candidates and maximize commercial value. For instance, we cooperate with hospitals to carry out clinical trials, to gain more opportunities for collaboration with other innovative drug developers, and to explore more innovation models and therapies.

Environmental, Social and Governance Report

Stakeholders	Concerns and Expectations	Communication Channels
Shareholders and investors	Information security management	Shareholders' meeting
	Sustainable growth of profits	Investor conferences and roadshows
	Timely and compliant information disclosure	Information disclosure on the official website
Employees	Occupational health and safety	Labor unions and team building activities
	Equal employment and rights & interests of employees	Periodical communications
	Employee training and development	Internal Meeting
Suppliers and other partners	R&D and quality safety	Working meetings
	Supply chain management	Audit inspection
	Business ethics and anti-corruption	Periodical communications
Society and the public	Intellectual property protection	News release and announcements
	Impact on and management of the environment and natural resources	Industry associations and forums
	Labor standards	Charity/public benefit activities

Environmental, Social and Governance Report

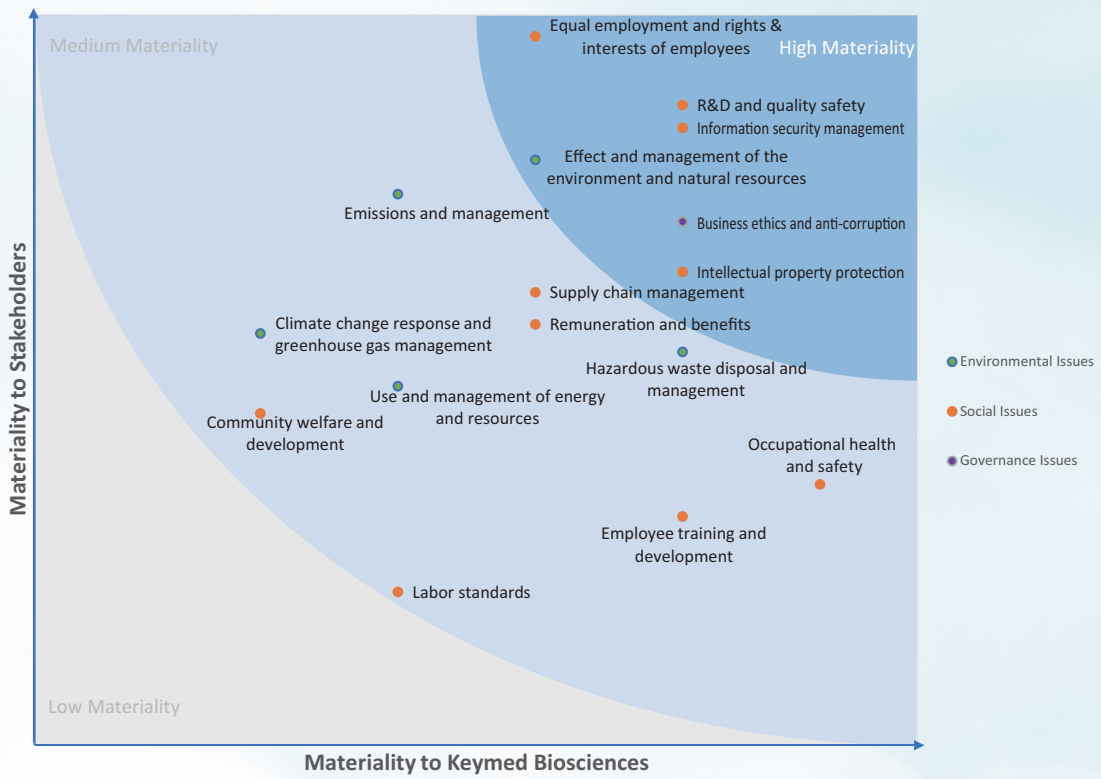
MATERIALITY ANALYSIS ON ESG ISSUES

The materiality analysis helps Keymed to identify risks and opportunities related to sustainable development and understand the direction of future improvements. Additionally, it can also help to improve the disclosure level of this Report and enhance the stakeholders' understanding of the Company's sustainable development progress. During the Reporting Period, Keymed entrusted a third-party advisory to conduct a survey regarding the materiality issues, with the main processes including:

Identifying key stakeholders	Building a database of materiality issues	Preparing and distributing online questionnaires	Analyzing questionnaire and judging materiality	Confirming the results of the materiality survey
We identified the stakeholders participating in the survey according to the analysis and judgment of the two dimensions of "materiality to the company" and "influence by the company ";	We built a database of potential materiality issues based on SEHK's requirements, relevant standards and policies, industry and business characteristics and peer practices;	We invited directors, shareholders and investors, employees, community and the public, and partners to fill in the online questionnaires; stakeholders";	We collected the questionnaires and analyzed the results, and established the two-dimensional materiality matrix of "materiality to Keymed" and "materiality to stakeholders", to show the importance of each issue;	The Board of the Company reviewed and confirmed the high materiality issues, and the issues of high materiality were mainly disclosed in the report.

Flowchart of Materiality Issue Evaluation

Based on the analysis of the questionnaire results, the matrix diagram of the Company's 2021 ESG materiality issues is obtained as follows:



Matrix diagram of materiality of Keymed

Environmental, Social and Governance Report

According to the survey results of materiality analysis and after confirmation by the board of directors, the Company has identified the following six material issues as ones of high materiality, which will be elaborated in this Report:

Aspect	High Material Issues	Chapters
Environmental	Effect and management of the environment and natural resources	Environment
Social	Equal employment and rights & interests of employees Information security management Intellectual property protection R&D and quality safety	Social
Governance	Business ethics and anti-corruption	Governance

GOVERNANCE

The Company adheres to corporate governance lawfully and considers compliant operation as the foundation of corporate responsibility. We strictly follow the national, local and industry laws and regulations, conducting strict control over business ethics, quality safety, supply chain management, information security and intellectual property protection, ensuring a safe and stable operation of the Company's businesses.

Operation with Integrity and Compliance

The Company sticks to business ethics and integrity construction, maintains zero tolerance for bribery, extortion, fraud, money-laundering, etc., strictly observes national laws and regulations, such as *the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Law of the People's Republic of China for Countering Unfair Competition,* and *the Anti-Money Laundering Law of the People's Republic of China*, and make unremitting efforts to improve the internal anti-corruption management system. Based on that, *Keymed's Anti-Bribery and Anti-Corruption Principles* and other regulations were formulated, and the corresponding punishment mechanism was established to regulate, supervise and manage the daily behaviour of employees, so as to prevent the occurrence of corruption and other irregularities and promote systematic management of anti-corruption. During the Reporting Period, the Company did not have any violations regarding the business ethics.

The Company has established a smooth channel for reporting the corruption, formulated *the Anti-embezzlement Management Measures* to regulate the reporting procedures. The measures regulate the scope, channels and processing procedures of complaints, any form of fraud and violations of company policies, regulations and code of ethics for compliance are included under the scope. During the Reporting Period, the Company had no record of corruption-related legal affairs.

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In order to build a compliance culture and continuously enhancing the employees' anti-corruption awareness, the Company invited legal advisers to provide legal training on "Analysis on Criminal Offence and Compliance System Construction in Pharmaceutical Industry" for internal employees in February 2021. The training focused on anti-corruption matters to cultivate employees' compliance-based working habits and prevent violation risks. During the Reporting Period, the Company has completed anti-corruption training for more than 20 employees. Keymed was listed for the first time and is planning to manage the anti-corruption training for the board of directors and will steadily carry out relevant work.

Product Quality and Safety

Ensuring product quality and safety is the top priority for Keymed's production and operation. The Company strictly implements national laws, regulations and management measures such as *Drug Administration Law of the People's Republic of China, Measures for the Administration of Drug Registration, Good Manufacturing Practice*, and *Measures for the Supervision and Administration of Pharmaceutical Production*, and regularly reviews and revises internal normative documents. Based on that, the Company has formulated *Quality Manual, Standard Operating Procedures* and other normative documents to ensure the product quality and safety in all segments are effectively secured. At the same time, according to the requirements of relevant pharmacopoeia, the Company formulates the quality standards of materials, intermediate products and finished products based on product characteristics, conducting inspection on standard operating procedures and methodological verification. According to the *Guiding Principles of Stability Test of Biological Products* and with reference to *the Guidelines of the International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use*, the Company conducts product stability research, establishes laboratory management regulations, and specifies the inspection process of materials, intermediate products and finished products. The Company has not yet entered the commercialization stage, so product advertising and labelling are not involved. During the Reporting Period, the Company did not violate any laws related to product safety.

The Company has established a comprehensive and effective quality management system, covering quality assurance, quality control, production management, logistics management, plant equipment management, personnel management and other aspects. The Company strictly abides by many specifications such as *Good Manufacturing Practice, Measures for the Supervision and Administration of Pharmaceutical Production, Good Clinical Practice* and *Good Pharmacovigilance Practices*. With the empowerment of the quality management system, the Company carries out quality risk management for the whole life cycle of operations; regularly conducts self-inspection and evaluation on each section of the quality management system; continuously optimizes and improves the quality management system; strengthens the quality concept internally, and continuously promotes the quality management level.

Environmental, Social and Governance Report

The primary premise of the Company's quality assurance and control system is accident prevention. The Company writes safety update reports for pipeline products, reviews risks in clinical trials in a timely manner, and ensures that each trial is carried out under the condition that benefits outweigh risks; when submitting the application for drug registration, the Company formulates a sound risk management and control plan for each clinical trial; In the process of design of clinical trial scheme, solid measures for potential adverse reactions should be taken in advance of possible risks; and when necessary, it can timely and effectively recover drugs that with potential quality concerns, and effectively protect the interests of patients and the public health.

During the Reporting Period, the Company, as a biopharmaceutical company entering the commercialization stage, was not involved in recall of products already sold or transported for safety and health reasons, or any customer complaints about products and services. However, in order to ensure proper compliance-based preventive measures, the Company has also formulated relevant complaint management systems, clarifying the complaint handling process and mechanism. In response to complaints, the Company will conduct internal consultations to discuss the causes of complaints and propose solutions and summarize the complaint handling process after the complaints are solved, so as to continuously improve customer satisfaction.

Supply Chain Management

Keymed attaches great importance to supply chain management, and constantly improves the supplier management system to reduce the environmental and social risks of the supply chain. In order to reduce supply chain risks from the source, the Company procures raw materials and equipment for the development and production of candidate drugs from industry-leading and reputable manufacturers and suppliers. The procurement category mainly includes the third-party contracting services related to preclinical evaluation and clinical trials of candidate drugs, raw materials, consumable materials, machinery and equipment. The Company has formulated system documents such as *Procurement Management Regulations* and *Supplier Management Regulations*, to strictly control the process of supplier approval, evaluation, audit and approval. Keymed implements the standardized operation mode of unified inquiry and procurement for all our suppliers, standardizes the business cooperation process, and actively carries out communication with suppliers.

In terms of supplier selection and approval, to identify and manage the environmental and social risks of potential suppliers, the Company actively conduct the auditing before supplier access, including the evaluation of suppliers' operation, production and other related qualifications in a scientific manner; understands the suppliers' management system and various production standards and procedures; conducts regular on-site inspection of clinical quality, and makes careful selection to ensure that their key elements are legal and compliant and meet the employment standards, so as to effectively reduce the potential risks of the supply chain.

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In terms of supplier evaluation and audit, the Company regularly evaluates the suppliers' qualifications, technical capabilities, to identify and manage the environmental and social risks of existing suppliers, compliance of response to user requirement description and other indicators according to the *Supplier Questionnaire, Quality Assurance Agreement, Supplier Quality Problem Feedback Form* and other regulatory documents. The key elements of the evaluation include cost, time, quality and continuity, and compliance by suppliers with laws and regulations on the quality and safety of products and services, business ethics, labor practices, environment, anti-corruption, information protection and intellectual property rights. In addition, the Company also tracks the supply quality of suppliers, requires suppliers whose supply quality has deteriorated to make rectification within a time limit, and disqualifies those who do not attach importance to quality and fail to make obvious improvement within the time limit.

The Company actively cooperates with its partners in investigating and auditing the sustainable development and social responsibility for its supply chain management, and organizes communication meetings for suppliers from time to time to convey its latest requirements for procurement and minimize the environmental and social risks in the supply chain. Besides, it also takes initiative to consider purchasing environmentally friendly products and tries to use green products in cold chain transportation and packaging materials.

In the Reporting Period, the Company had a total of 825 suppliers, all of which complied with the Company's supplier engagement and management regulations. The number of suppliers by region is as follows:

By region	Number of suppliers
Eastern China	330
Southwestern China	285
Northern China	129
Southern China	51
Central China	10
Northwestern China	4
Northeastern China	1
Overseas	15
Total	825

Information Security and Privacy Protection

The Company attaches great importance to information security, strictly abides by the relevant regulations on information security and privacy protection and specifies the scope of its confidential information and the protection methods to protect the security of various business secrets and other confidential information. In terms of information security, the Company has established strict standards and rules for system security, data management, data backup, etc. The external disclosure of its confidential information must be subject to internal authorization, review and approval to ensure the safe and stable operation of its network. The Company has not yet entered the commercialization stage, so no end-consumer privacy is involved.

Environmental, Social and Governance Report

Keymed has the opportunity to access certain data of medical institutions and individual patients during clinical trials, and some types of data may fall in the category of sensitive information. For the purpose of addressing the potential privacy and security risks in this process, the Company has formulated strict data protection policies in accordance with relevant regulations including *Good Clinical Practice (GCP) and Guidance for Industry: Good Clinical Practice* to ensure that the collection, use, storage, transmission and dissemination of such data comply with applicable laws and regulations and prevailing industry practices.

The privacy protection measures taken by the Company mainly include:

Prior consent

- Before the patients are enrolled in the clinical trial, the relevant personnel will inform the patients of the Company's data privacy and protection policies and measures. Only relevant clinical data will be collected with the consent of the enrolled patients.

Deidentification

- The Company deleted the personal identifiers of the enrolled patients, including name, telephone number, address, ID number and other information that can identify the patients when generating clinical trial data.

Data storage and access

- The personal data of the enrolled patients are kept at the medical institutions which have signed internal control protocols to restrict and monitor access to the data. Confidential patient data is only available to authorized employees.

To ensure the implementation of Keymed's data privacy and protection measures, the Company has adopted an electronic data collection system to enable desensitization feedback. It classifies confidential information by security levels, and stipulates the scope, permissions and procedures for use of information at different security levels. The Company has also signed non-disclosure agreements with employees and partners to strictly control and manage the use of data in each process and ensure no sharing of data with external third parties. During the Reporting Period, the Company was not involved in non-compliance with relevant laws and regulations on data privacy and protection.

Environmental, Social and Governance Report

Technological Innovation and Intellectual Property

Innovation and R&D

As a fast-growing high-tech innovative pharmaceutical company, Keymed continues to develop innovative antibody therapies, and invests heavily in technological innovation and product R&D, laying a solid foundation for high-quality development, cultivating a high-level R&D system and enhancing core competitiveness for the company. In 2021, Chengdu Kangnuo Xing Biosciences Co., Ltd., a subsidiary of Keymed, was included in the "List of Chengdu Enterprise Technology Centers".

The Company has established a highly integrated innovative antibody discovery platform to enable In-depth R&D in the area of immunology and oncology. This platform is a versatile platform for the discovery and evaluation of antibody drugs. With such main functions as antibody screening and optimization, this platform can help discover and improve drug candidates with high biological activity and specificity for different molecular targets and develop antibody-based therapies with new modalities and new mechanisms of action. As of the end of the Reporting Period, the Company had discovered ten antibodies and entered the clinical development stage for these antibodies. Based on this platform, the Company has developed multiple drug candidates with different modalities in our pipeline, including bispecific antibodies, ADCs and fragment crystallisable region (Fc) engineered antibodies. This platform is also empowered by enhanced automatic antibody screening and discovery techniques, leading to cost-efficient discovery of drug candidates with high affinity, cross-species activity and improved developability.

In terms of progress of digitalization and informatization, the Company also takes initiative to consider the impact of its operation on the environment and natural resources. Since the R&D process involves a large amount of data analysis and artificial intelligence modelling, considering the high energy consumption characteristics of IT infrastructure, we have adopted "hybrid cloud" technology in our clinical data calculation and storage process. We realize calculation resources of most data through the "public cloud", which is featured by low energy consumption for processing per unit, and only keep a small amount of security-sensitive information in the self-built private server to balance total energy consumption and data security to the greatest extent. Besides, given the clinical data requirements of many product pipelines and ensure data security, the Company has also cooperated with Microsoft to develop a clinical data collaboration system to ensure data security. This system is a secondary development for Keymed's clinical needs based on the empowerment of SharePoint platform. Its main functions include the definition of roles, the inspection of permissions, and the development of automatic processing scripts. After multiple iteration, the system enables strict control of clinical staff, restricts operation permissions and avoids overstepping, thereby ensuring data security from the start.

Environmental, Social and Governance Report

Intellectual property protection

Intellectual property is critical to Keymed's business. Therefore, the Company strictly abides by *the Patent Law of the People's Republic of China, Trademark Law of the People's Republic of China, Copyright Law of the People's Republic of China* and other laws and regulations related to intellectual property and has established a systematic management system for intellectual property protection. It adopts a global patent portfolio strategy to protect drug candidates and technologies throughout the creation, acquisition, protection and management of intellectual property, carries out business promotion in accordance with the law and integrates intellectual property protection into the daily work of employees.

To better protect its intellectual property and patents in R&D projects, the Company has formulated *the System for Infringement Prevention of Keymed, System for R&D Achievement Protection of Keymed, System for Management of Scientific and Technological Achievements of Keymed R&D Center* and other internal management documents to regulate systems for intellectual property investigation and patent application, so as to prevent intellectual property infringement and illegal publicity while safeguarding its own intellectual property. During the Reporting Period, there were no violations of laws and regulations related to intellectual property.

SOCIAL

Adhering to the talent development concept of "caring for people", the Company has always proposed responsible employment, protecting employees' basic rights and interests, optimized their training and development paths and taken care of their physical and mental health, with the aim of building a fair, inclusive and diverse career platform, creating a safe, healthy and comfortable working environment and promoting the common development of employees and the Company. We have also taken an active part in community building to demonstrate corporate action and cohesion in fulfilling social responsibilities.

Equal Employment and Rights Protection

Labor Standards

The Company has strictly abided by *the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Minors, the Social Insurance Law of the People's Republic of China, the Provisions on the Prohibition of Using Child Labor* and other employment-related laws and regulations. In the meantime, with reference to the above-mentioned laws and regulations, it has established the *Keymed Recruitment Management System, Employee Handbook* and other documents to improve the employment system and guidelines and regulate employment-related elements such as recruitment, remuneration, promotion, assessment, and vacation, etc. All employees were voluntarily hired, and went through entry formalities in accordance with internal procedures to resolutely prohibit the use of child labor and forced labor in any form. In the event of any violations, the Company would immediately terminate the contract and conduct investigations to prevent the recurrence of such incidents. In addition, Keymed has always adhered to the principle of equal employment and equal pay for equal work for both men and women, emphasizing that employment and remuneration should be based on the ability of employees instead of their ethnicity, age, gender, political or religious beliefs and other factors. During the Reporting Period, the Company did not involve in any violations of laws and regulations related to forced labor or the employment of child labor.

Environmental, Social and Governance Report

Employees' Rights and Interests

The Company has provided employees with competitive remuneration and welfare. The remuneration consists of basic salary, performance-based salary, various bonuses, allowances, overtime pay, etc., with a dynamic salary adjustment mechanism. We conduct annual employee performance evaluation every year and take the evaluation results as the main basis for annual performance bonus, salary increase and employee promotion. The employees' rights and interests include statutory benefits, i.e., five social insurance and one housing fund paid by the Company in full and on time for employees in accordance with national and local laws and regulations, as well as various supplementary welfare items, such as annual physical examination services, supplementary commercial medical insurance, holiday gifts, overtime allowances, etc. With regard to the working hours system, the Company is strictly in accordance with national laws and regulations, has implemented the five-day workweek, and adopted an integrated working hours calculation system and an irregular working hours system according to different posts. All employees of the Company are entitled to paid holidays, statutory holidays, marriage leave, bereavement leave, maternity leave and other leave rights. During the Reporting Period, the Company did not violate any laws and regulations related to remuneration and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity, and anti-discrimination. As at the end of the Reporting Period, the Company had a total of 325 employees, with an employee turnover rate of 10.71%.

Employment Performance in 2021

Indicators		2021	Unit
Headcount		325	Person
Employees by gender	Male	148	Person
	Female	177	Person
Employees by age group	30 and below	173	Person
	31-40	116	Person
	41-50	28	Person
	Over 51 (inclusive)	8	Person
Employees by management level	Senior management	36	Person
	Intermediate management	42	Person
	General staff	247	Person
Employees by region	Mainland China	324	Person
	Hong Kong	1	Person
Employees by employment type	Full-time employees	316	Person
	Part-time employees	9	Person

Environmental, Social and Governance Report

Indicators		2021
Total employee turnover rate[1]		10.71%
Employee turnover rate by gender[2]	Male	5.49%
	Female	5.22%
Employee turnover rate by age[3]	30 and below	6.32%
	31-40	3.85%
	41-50	0.55%
	Over 51 (inclusive)	0%
Employee turnover rate by region[4]	Mainland China	10.71%
	Hong Kong	0%

1 The percentage obtained by the number of employees leaving office/total number of employees*100

2 The percentage obtained by the number of employees leaving office in such category/total number of employees *100

3 The percentage obtained by the number of employees leaving office in such category/total number of employees *100

4 The percentage obtained by the number of employees leaving office in such category/total number of employees *100

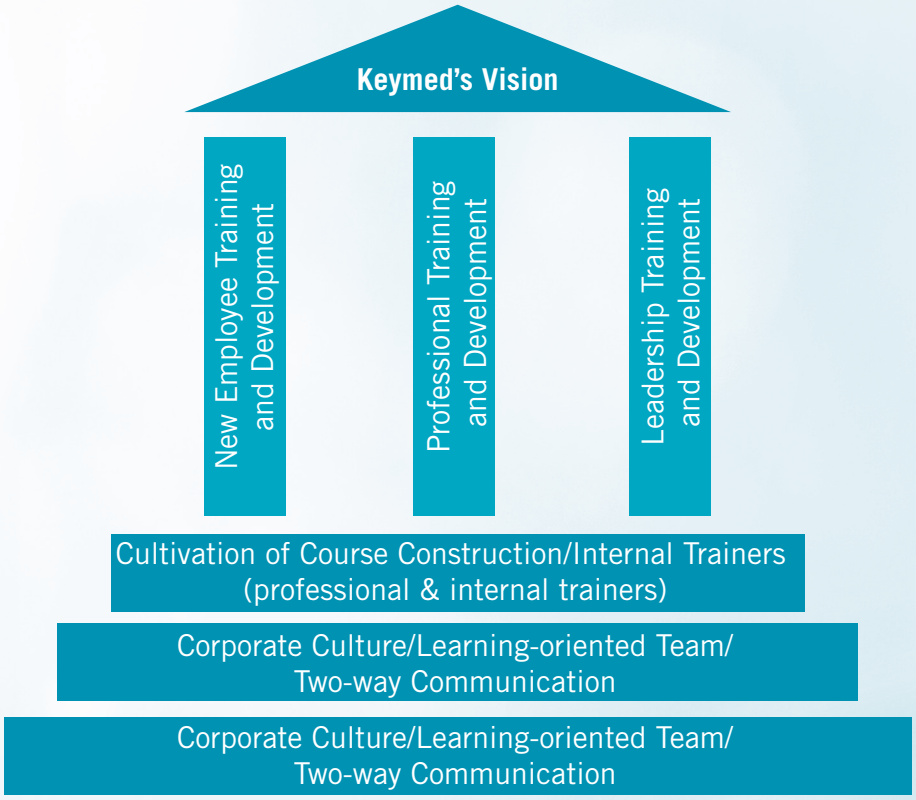
Talent Introduction and Development

Attaching great importance to the acquisition of talents, Keymed has formulated and implemented a talent protection plan, and has been committed to building a high-quality talent team. In addition to continuously improving the salary management and promotion system, we also provide employees with additional benefits such as talent allowances, purchase of talent apartments, and children's education. We care for the growth and the life of every employee and actively build platforms for employees to realize their values so that they have a sense of belonging and security.

In terms of talent capacity building, for the purpose of cultivating the quality, knowledge and skills of the employees, the Company has internally established *the Training Management Measures* and a training framework, regulating the training content, training form, application principles, division of labor in training organization, training cost management, training file establishment and management, training effect evaluation and feedback as well as training management assessment to ensure equitable re-education opportunities for all Keymed's employees. We set appropriate training content for different training objects, including new employee induction training, safety training, biological R&D training, ability improvement training and management training, etc., to meet the diverse training needs of employees and improve their professional skills. We conduct training in various forms, including but not limited to on-site or online intensive teaching, practical operation exercises and assessments, seminars, discussions and expatriate learning (at the expense of the Company).

Environmental, Social and Governance Report

Training Framework



Structure of Keymed's training system

Clinical project management training

Environmental, Social and Governance Report

Training Performance in 2021

Indicators		2021	Unit
Total number of trainees		325	Person
Percentage of employees trained by gender[1]	Male	45.54%	/
	Female	54.46%	/
Percentage of employees trained by management structure[2]	Senior management	11.08%	/
	Intermediate management	12.92%	/
	General staff	76.00%	/
Average training hours by gender[3]	Male	17.75	Hour
	Female	18.14	Hour
Average training hours by management structure category[4]	Senior management	3.44	Hour
	Intermediate management	6.43	Hour
	General staff	22.04	Hour

1 The percentage was obtained by the number of employees trained in the category/total number of employees trained according to the suggestions on data calculation methods in "Appendix 3: Reporting Guidance on Social KPIs" of How to Prepare an ESG Report of Hong Kong Stock Exchange.

2 The percentage was obtained by the number of employees trained in the category/total number of employees trained according to the suggestions on data calculation methods in "Appendix 3: Reporting Guidance on Social KPIs" of How to Prepare an ESG Report of Hong Kong Stock Exchange.

3 The figure was obtained by the total training hours in the category/total number of employees trained in the category according to the suggestions on data calculation methods in "Appendix 3: Reporting Guidance on Social KPIs" of How to Prepare an ESG Report of Hong Kong Stock Exchange.

4 The figure was obtained by the total training hours in the category/total number of employees trained in the category according to the suggestions on data calculation methods in "Appendix 3: Reporting Guidance on Social KPIs" of How to Prepare an ESG Report of Hong Kong Stock Exchange.

Environmental, Social and Governance Report

Health and Safety and Employee Care

Health and Safety

Paying great attention to the occupational health and safety of employees, Keymed has strictly abided by *the Law of the People's Republic of China on Work Safety*, *the Law of the People's Republic of China on Prevention and Control of Occupational Diseases, the Provisions on the Supervision and Administration of Occupational Health at Work Sites*, and other laws and regulations, and has formulated a sound occupational disease prevention and management system and an emergency response plan for common hazards, making clear the safety responsibilities of staff and departments at all levels and raising the safety awareness in all aspects of business operations to prevent various risks that endanger the health of employees at work to the utmost extent.

The occupational health and safety measures of the Company include mandatory occupational health and safety training for new employees; notification and warning of occupational hazards for employees before taking the positions with high risk of occupational diseases, and occupational disease physical examinations within the working cycle; distribution of personal labor protection articles for employees; safety measures such as setup of fume cupboards, universal gas-collecting hoods and eyewash equipment taken in experiment sites and workplaces; regular inspections of potential safety hazards, thorough inspection of potential risk points and development of rectification plans to effectively prevent risks. During the Reporting Period, we passed the occupational health evaluation and safety evaluation of the regulatory authorities and did not involve in any incidents of work safety-related violations or work-related injuries, no lost day was recorded. In the past three years including the Reporting Period, the Company recorded zero in the number and rate of work-related fatalities per year.

Employee Care

Keymed has been committed to building a healthy and comfortable working environment for employees and conducted various employee activities to help them balance their work and life. We have taken an active part in organizing various sports and team building activities, such as the 2021 badminton game, to help employees improve their physical fitness and relieve work pressure. We have also organized employees' birthday parties and sent out holiday gifts to improve employees' happiness. Besides, the Company has also taken care of special groups by taking special care measures such as setting up mother and baby rooms for female employees and helping employees in difficulty, striving to create an optimistic, open, healthy and harmonious working and living atmosphere.

Group photo of Keymed's 2021 badminton match

Environmental, Social and Governance Report

A birthday party held by the Company for employees

Community Contributions

Keymed has taken the initiative to explore all opportunities to help the local community, kept the corporate social responsibility in mind, paid attention to the needs of the local community, focused on the development of community health and education, and actively organized employees to carry out health and public welfare activities to promote the spirit of corporate public welfare. In July 2021, Keymed donated RMB10,000 to the "High-tech Greenway Race" organized by the Education, Culture and Health Bureau of Chengdu Hi-tech Industrial Development Zone, contributing to the promotion of all-people movement and healthy life. The Company has also attached great importance to health education for young people. In April 2021, Chengdu Wanhui Primary School paid a visit the headquarters of Keymed. During the visit, facing a variety of high-tech equipment and technological processes, students were full of curiosity and desired to explore biological and medical knowledge. The Company arranged professionals to provide whole-process guidance in the laboratory and set the science popularization and Q&A links to effectively stimulate students' enthusiasm for study. Students learned a lot from this activity, and we achieved the goal of knowledge popularization.

School students' visit to Keymed's headquarters in Chengdu

Environmental, Social and Governance Report

ENVIRONMENT

Adhering to the "environment-friendly" green development concept, the Company has persisted in low-carbon production and operation, continuously improved the environmental management system, made active response to climate change, reasonably allocated and used resources, strictly controlled pollutant emissions, and actively carried out various measures such as energy conservation and emission reduction and environmental governance, to promote the harmonious development between man and nature.

Environmental Management

The Company has strictly complied with *the Environmental Protection Law of the People's Republic of China, the Atmospheric Pollution Prevention and Control Law of the People's Republic of China, the Water Pollution Prevention and Control Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Environment Pollution by Solid Wastes* and other national and local environmental laws and regulations. Besides, the Company has formulated the *Environmental Management Procedure*, specifying the requirements and responsibilities of environmental protection management and control to be undertaken by personnel at all levels of the Company, and strengthening all employees' awareness of environmental protection, in a bid to minimize the potential impact on the environment and natural resources results from the Company's operation.

In order to strengthen corporate environmental governance, the Company has established a sound environment, health and safety (EHS) management system. As the first responsible personnel for EHS management, the general manager of the Company shall be fully responsible for the EHS work of the Company, responsible for organizing the formulation and implementation of internal policies and procedures related to environmental protection and pollution control, formulating emergency plans for environmental and safety accidents, supervising the implementation of various EHS measures, as well as preventing pollution and safety accidents. The Engineering Equipment Department is the department responsible for environmental protection management of the Company and is equipped with full-time EHS management personnel responsible for organizing and carrying out daily management, providing regular training for employees, conducting risk investigation and assessment, as well as initiating assessment reports and emergency response plans. Each functional department implements the EHS management system and conducts comprehensive and efficient management.

Although its business does not have a significant impact on the environment and natural resources, the Company has still actively carried out various environmental protection work and implemented energy conservation and emission reduction measures, to respond positively to the call of all parties worldwide for low carbon and sustainable development.

Environmental, Social and Governance Report

Addressing Climate Change

As the increasingly severe risk of climate change has gradually permeated all walks of life, the Company's business operation may be affected by some entity risks, such as floods and other extreme weather. In that light, we have internally formulated the corresponding production emergency plan, flood prevention and disaster prevention response measures and other documents and specified the responsibilities of departments at all levels to ensure the adoption of appropriate measures in time in the event of any risk and to avoid the impact of extreme weather on Keymed's production and operation and the life and health of its employees. In addition, in response to increasingly stringent climate change control policies, the Company would continue to identify and study national plans and relevant policy guidelines for the goal of achieving carbon peak by 2030 and carbon neutrality by 2060 to enhance its resilience to climate change transition risks and policy risks.

Use of Resources

As for the use of energy and resources, the Company has strictly abided by *the Law of the People's Republic of China on Energy Conservation* and other relevant laws and regulations, set the goal of continuous improvement of energy use efficiency and plans, conducted regular statistics on power consumption and steam consumption, and made timely improvement on the current usage and existing findings to minimize the energy consumption.

The Company has actively implemented various energy conservation and consumption reduction measures and regularly monitored energy use efficiency to reduce the waste of energy as much as possible, used energy-saving equipment and energy-saving technologies and recycled resources, strengthened energy management and publicity and encouraged employees to actively participate in energy conservation and consumption reduction, making the goals more achievable.

As for the use of water resources, the Company has set the goal of continuously reducing the consumption of domestic water resources and improving water use efficiency in an effort to keep water resource consumption below the industry average. We have also formulated a water use plan, made regular statistics on water use, inspected water use and drainage facilities to actively improve water use efficiency. As of the end of the Reporting Period, the Company had not carried out mass production and manufacturing, so water resource consumption mainly came from daily office work. We mainly use municipal water supply in our production and operation, so there is no problem of seeking water sources.

The Company has followed the basic principle of "saving energy, reducing consumption and being environment-friendly" in the pharmaceutical technology development process. While reducing the unit capacity input, we have improved the production efficiency, striven to optimize the R&D technology, and reduced the use of non-renewable energy such as water, electricity and gas. We have also vigorously promoted the application of new technologies, new materials, new equipment and new processes for energy conservation and emission reduction to improve the resource use efficiency and minimize wastes. In addition, advocating and practicing the concept of green office, Keymed has, posted water-saving and electricity-saving signs in the office area, made full use of natural light and reduced the use of lighting equipment, apply double-sided printing when printing documents, promoted paperless office and online office, advocated green travel for employees and other actions for all employees to fulfil the green mission.

Environmental, Social and Governance Report

Emission Management

Keymed has strictly abided by *the Law of the People's Republic of China on the Prevention and Control of Environment Pollution by Solid Wastes* and other relevant laws and regulations in respect of pollutant discharge and has formulated the *Management Regulations of Hazardous Wastes* and other documents on this basis to identify wastes, define the type of wastes and reduce the amounts. During the pharmaceutical technology development stage, the Company has minimized the use of organic reagents and effectively reduced the use of chemicals such as acids and alkalis to minimize the pollutant emissions and possible impacts on the environment during the product development process and after industrialization. The exhaust gas and greenhouse gas involved in the Company's business activities mainly came from the emission of mobile sources. The emission and concentration of the exhaust gas during the production process was lower than the threshold specified in the relevant air pollution emission standard in where can be neglected. In terms of wastewater management, the wastewater generated from production is treated by the sewage treatment station in the office park and discharged after reaching the standard. During the Reporting Period, our pilot production and laboratories passed the environmental impact assessment, and we did not involve in any emission-related violation.

Wastes generated from the operation of the Company are mainly divided into household wastes (non-hazardous wastes) and hazardous wastes. According to *the Regulations of Chengdu Municipal Household Waste Management*, household wastes are divided into four categories, namely, recyclables, hazardous garbage, kitchen garbage and other garbage. The recyclable garbage is recycled and disposed by the recycling unit, and the hazardous garbage, kitchen garbage and other garbage are collected and treated by the office park or local environmental sanitation department in a unified manner. There are no statistics on non-hazardous wastes in this report as the wastes are managed by the park property. The Company has formulated strict waste disposal systems, measures and objectives, posted and placed warning signs in designated areas, actively implemented reasonable classification of wastes and formulate corresponding action plans, devoting itself to progressively reducing wastes and emissions generated from production and operation that have a significant impact on the environment.

The operation process of the Company involves the use of hazardous chemicals, thus generating hazardous wastes. Hazardous wastes mainly include laboratory waste liquid, waste culture dish and waste oil. According to *the Directory of National Hazardous Wastes*, we collect and store these wastes by category and send them to accredited units for incineration treatment. In the implementation of the safety guideline and regulations, we clearly list potential safety hazards and operation procedure of the production facilities, and install video monitoring system in the production facilities, so as to conduct monitoring and make statistics for the discharge of pollutants and ensure whole process control; we strictly classify the hazardous wastes to ensure effective and harmless treatment.

Environmental, Social and Governance Report

Environmental Performance[1]

Indicators	Unit	2021
Emissions		
Atmospheric pollutants[2]		
Nitrogen Oxides	Kg	71.09
Sulphur Oxides	Kg	0.30
Carbon Monoxide	Kg	105.30
Particles ($PM_{2.5}$, PM_{10})	Kg	2.88
Wastewater		
Wastewater discharge	Tons	11,679
Greenhouse gas[3]		
Scope 1 (Vehicles)	Tons of carbon dioxide equivalent[4]	46.93
Scope 2 (Purchased electricity and heat)	Tons of carbon dioxide	3,613.17
Total greenhouse gas emissions	Tons of carbon dioxide equivalent	3,660.10
Greenhouse gas emission intensity	Tons of carbon dioxide equivalent/ RMB10,000 (Revenue)	0.332
Discharge of hazardous wastes		
Laboratory waste liquid	Tons	2.45
Waste culture dish	Tons	14.94
Waste engine oil	Tons	0.03
Total discharge of hazardous wastes	Tons	17.42
Discharge intensity of hazardous wastes	Tons/RMB10,000 (Revenue)	0.002

1 In the environmental performance, only the paper consumption includes the statistics of Keymed's Chengdu headquarters and other offices. No statistics can be made on the remaining indicators as local offices are non-owned properties, so only the statistics of Chengdu headquarters is included.

2 The calculation method and emission coefficient of atmospheric pollutants, referred from the Technical Guide for Compiling the Emission List of Road Mobile Pollution Sources (Trial).

3 The calculation method and emission coefficient under scope 1 of greenhouse gas, please refer to the Guidelines for Calculation Methods and Reporting of Greenhouse Gas Emission from Land Transport Enterprises (Trial) issued by the National Development and Reform Commission; for the heat emission coefficient under Scope 2, please refer to the Guidelines for Calculation Methods and Reporting of Greenhouse Gas Emission from Industrial and Other Industrial Enterprises; for the electricity emission coefficient, please refer to the Notice on Preparing the 2018 Carbon Emission Report and Verification and Emission Monitoring Plan issued by the Ministry of Ecology and Environment.

4 Scope 1 of greenhouse gas covers the statistics of carbon dioxide, methane and nitrous oxide emissions.

Environmental, Social and Governance Report

Indicators		Unit	2021
Energy and resource consumption			
Energy consumption			
Direct energy consumption	Gasoline	Liter	17,822
	Diesel	Liter	2,278.50
	Total direct energy consumption	1,000 kWh	188.80
	Direct energy consumption intensity	1,000 kWh/RMB10,000 (Revenue)	0.017
Indirect energy consumption	Purchased electricity	kWh	3,855,268
	Purchased steam	GJ	12,484.15
	Total indirect energy consumption	1,000 kWh	7,323.09
	Indirect energy consumption intensity	1,000 kWh/RMB10,000 (Revenue)	0.664
Total energy consumption		1,000 kWh	7,511.89
Energy consumption intensity		1,000 kWh/RMB10,000 (Revenue)	0.681
Water resources			
Total water consumption		Tons	14,599
Total water consumption intensity		Tons/RMB10,000 (Revenue)	1.324
Papers			
Paper (A3, A4) consumption		Tons	3.77
Packaging materials			
Plastic		Tons	0.19
Metal		Tons	0.01
Total packaging materials		Tons	0.20
Packing material intensity		Kg/RMB10,000 (Revenue)	0.018

Environmental, Social and Governance Report

APPENDIX: HKEX ESG INDEX

A. Environmental			
Subject Areas, Aspects, General Disclosures and KPIs			**Chapter**
Aspect A1: Emissions			
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environment: Emission Management
KPI	A1.1	The types of emissions and respective emissions data.	Environment: Environmental Performance
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
	A1.5	Description of emissions target(s) set and steps taken to achieve them.	Environment: Emission Management
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	

Environmental, Social and Governance Report

A. Environmental			
Aspect A2: Use of Resources			
General Disclosure		Policies on the efficient use of resources, including energy, water and other raw materials.	Environment: Use of Resources
KPI	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Environment: Environmental Performance
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Environment: Use of Resources
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Environment: Use of Resources
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Environment: Environmental Performance
Aspect A3: The Environment and Natural Resources			
General Disclosure		Policies on minimising the issuer's significant impacts on the environment and natural resources.	Environment: Environmental Management
KPI	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	
Aspect A4: Climate Change			
General Disclosure		Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Environment: Addressing Climate Change
KPI	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	

Environmental, Social and Governance Report

B. Social			
Subject Areas, Aspects, General Disclosures and KPIs			**Chapter**
Aspect B1: Employment			
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Social: Equal Employment and Rights Protection
KPI	B1.1	Total workforce by gender, employment type, age group and geographical region.	
	B1.2	Employee turnover rate by gender, age group and geographical region.	
Aspect B2: Health and Safety			
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Social: Employee Care; Health and Safety + Employee Care
KPI	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	
	B2.2	Lost days due to work injury.	
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	
Aspect B3: Development and Training			
General Disclosure		Policies on improving employees' knowledge and skills for discharging duties at work.	Social: Talent Acquisition and Development
KPI	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	
	B3.2	The average training hours completed per employee by gender and employee category.	
Aspect B4: Labour Standards			
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Social: Equal Employment and Rights Protection
KPI	B4.1	Description of measures to review employment practices to avoid child and forced labour.	
	B4.2	Description of steps taken to eliminate such practices when discovered.	

Environmental, Social and Governance Report

B. Social			
Aspect B5: Supply Chain Management			
General Disclosure		Policies on managing environmental and social risks of the supply chain.	Governance: Supply Chain Management
KPI	B5.1	Number of suppliers by geographical region.	
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	
Aspect B6: Product Responsibility			
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Governance: Product Quality and Safety
KPI	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable
	B6.2	Number of products and service related complaints received and how they are dealt with.	Not applicable
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	Governance: Technological Innovation and Intellectual Property
	B6.4	Description of quality assurance process and recall procedures.	Governance: Product Quality and Safety
	B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Not applicable

Environmental, Social and Governance Report

B. Social			
Aspect B7: Anticorruption			
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Governance: Operation with Integrity and Compliance
KPI	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	
	B7.3	Description of anti-corruption training provided to directors and staff.	
Aspect B8: Community Investment			
General Disclosure		Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Social: Community Contributions
KPI	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	
	B8.2	Resources contributed (e.g. money or time) to the focus area.	

Report of Directors

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the Reporting Period.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries are principally engaged in the in-house discovery and development of innovative biological therapies in the autoimmune and oncology therapeutic areas. An analysis of the Group's revenue and operating results for the year ended December 31, 2021 by its principal activities is set out in note 5 to the consolidated financial statements of the Group.

BUSINESS REVIEW

A fair review of the business of the Group as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an analysis of the Group's financial performance and an indication of likely future developments in the Group's business is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report. These discussions form part of this annual report. Events affecting the Company that have occurred since the end of the financial year are set out in the section headed "Important Events After the Reporting Period" in this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

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

- its ability to obtain additional financing to fund its operations;
- its ability to develop and commercialise its drug candidates, all of which are in pre-clinical or clinical development;
- its ability to identify additional drug candidates;
- its success in demonstrating safety and efficacy of its drug candidates to the satisfaction of regulatory authorities or produce positive results in its clinical trials;
- material aspects of the research, development and commercialisation of pharmaceutical products being heavily regulated;
- lengthy, time-consuming and inherently unpredictable regulatory approval processes of the regulatory authorities for its drug candidates;
- competition in the pharmaceutical industry where the Group serves; and
- its ability to obtain and maintain patent protection for its drug candidate.

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

Report of Directors

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. An account of the Company's key relationships with its employees, customers and suppliers and others that have a significant impact on the Company is set out in the "Environmental, Social and Governance Report".

COMPLIANCE WITH 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 year ended December 31, 2021, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

FINANCIAL RESULTS

The results of the Group for the year ended December 31, 2021 are set out in the consolidated statement of profit or loss and other comprehensive income of this annual report.

A summary of the Group's results, assets and liabilities for the last three financial years is set out in the section headed "Three Year Financial Summary" of this annual report. This summary does not form part of the audited consolidated financial statements of the Group.

FINAL DIVIDENDS

The Board did not recommend the payment of a final dividend for the year ended December 31, 2021.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The AGM will be held on June 28, 2022. The notice of the AGM will be despatched to the Shareholders in due course.

In order to determine the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 23 to 28 June, 2022, both days inclusive, during which period no transfer of shares will be registered. All transfer documents of the Company accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company 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 22 June, 2022.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2021, the Group's five largest suppliers accounted for 24.3%, as compared to 41.9% of the Group's total purchases for the year ended December 31, 2020. The Group's single largest supplier accounted for 8.2% of the Group's total purchase for the year ended December 31, 2021, as compared to 12.4% for the year ended December 31, 2020.

During the year ended December 31, 2021, none of the Directors or any of their close associates or any Shareholders (which, to the knowledge of the Directors, own more than 5% of total issued Shares of the Company) had any interest in the Group's five largest suppliers.

During the year ended December 31, 2021, 99.8% revenue of the Group was derived from the collaboration with JMT-Bio and InnoCare, with the largest customer contributing to 63.6% of the Group's revenue.

Report of Directors

Mr. Stephen Law, an independent non-executive Director of the Company, also serves as an independent non-executive Director of CSPC, the parent company of JMT-Bio. Save as disclosed, none of the Directors, their respective close associates, or any Shareholder of the Company who, to the knowledge of the Directors, owns more than 5% of the Company's issued Share capital, has any interest in the Group's customers.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the share capital of the Company during the Reporting Period are set out in note 29 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the Reporting Period are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As of December 31, 2021, the Company did not retain any profits under IFRSs as reserves available for distribution to our equity shareholders.

DEBENTURES

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

DONATION

During the year ended December 31, 2021, the Group made charitable donations of approximately RMB20,000.

Report of Directors

DIRECTORS

The Directors during the Reporting Period and up to the date of this annual report are:

Executive Directors

Dr. Bo CHEN
Dr. Changyu WANG *(appointed with effective from March 3, 2021)*
Dr. Gang XU

Non-executive Directors

Mr. Qi CHEN
Dr. Dong LYU *(appointed on March 3, 2021; resigned on March 29, 2022)*
Dr. Min Chuan WANG *(appointed on March 3, 2021)*
Mr. Yilun LIU *(appointed on March 3, 2021)*

Independent non-executive Directors

Prof. Xiao-Fan WANG
Prof. Yang KE
Mr. Cheuk Kin Stephen LAW
Prof. Linqing LIU

In accordance with Article 16.2 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting. Accordingly, Dr. Changyu WANG, Dr. Min Chuan WANG, Mr. Yilun LIU, Prof. Xiao-Fan WANG, Prof. Yang KE, Mr. Cheuk Kin Stephen LAW and Prof. Linqing LIU, who were appointed as Directors, shall retire at the Annual General Meeting, and being eligible, will offer themselves for re-election.

In accordance with Article 16.18 of the Articles of Association, at every annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. Accordingly, Dr. Bo CHEN, will retire from office at the Annual General Meeting and, being eligible, has offered himself for re-election as Directors at the Annual General Meeting.

Report of Directors

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

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).

Each of the 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 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.

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

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent during the period from the Listing Date to December 31, 2021. The Company considers all of the independent non-executive Directors are independent.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No Director of the Company or an entity connected with a Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries or fellow subsidiaries was a party during the Reporting Period.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance was entered into among the Company or any of its subsidiaries and the Controlling Shareholders or any of their subsidiaries, whether for the provision of services or otherwise, during the year ended December 31, 2021.

Report of Directors

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

As at December 31, 2021, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the 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 or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to Model Code are as follows:

Long positions in the Shares or underlying Shares of the Company

Name of Director/ Chief Executive	Capacity/Nature of Interest	Number of Shares[1]	Approximate Percentage of Shareholding in the Company
			(%)
Dr. Bo CHEN	Interest in controlled corporation[2]	77,917,482(L)	27.85
	Adviser of a trust[3]	17,976,153(L)	6.43

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Dr. Bo CHEN is interested in approximately 65.36% of the shareholdings of Moonshot Holdings Limited ("**Moonshot**"). Ms. Cristela TOSCANO, Dr. Gang XU and Dr. Qian JIA, through their respective family trust, are interested in 13.31%, 13.31% and 8.02% of the equity interest in Moonshot, respectively.

(3) Keymed Talent Success Trust, a trust established for the purpose of facilitating the administration of the Restricted Share Unit Scheme, is the sole shareholder of Eagle Hero Management Limited ("**Eagle Hero**"), which holds the Shares underlying the Restricted Share Unit Scheme. Trident Trust Company (HK) Limited is the trustee for the Restricted Share Unit Scheme. Under the terms of the Restricted Share Unit Scheme, Dr. Bo CHEN as the advisor of the trust is able to exercise voting rights attached to the Shares held by the Eagle Hero.

Save as disclosed above, as at December 31, 2021, to the best knowledge of the Directors or chief executive of the Company, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of 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 which were required to be recorded in the register to be kept by the Company pursuant to section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Report of Directors

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at December 31, 2021, so far as the Directors are aware, the following persons (other than the Directors or chief executive of the Company) had an interest or a short position in the Shares or underlying Shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Capacity/Nature of Interest	Number of Shares[1]	Approximate Percentage of Shareholding
			(%)
Moonshot[2]	Beneficial interest	77,917,482	27.85
Eagle Hero[3]	Beneficial interest	17,976,153	6.43
Trident Trust Company (HK) Limited[3]	Trustee	17,976,153	6.43
HH KNY Holdings Limited[4]	Beneficial interest	25,914,892	9.26
Hillhouse Investment Management, Ltd.[4]	Interest in controlled corporation	25,914,892	9.26
Boyu Capital Group Holdings Ltd.[5]	Interest in controlled corporation	15,080,479	5.39
XYXY Holdings Ltd.[5]	Interest in controlled corporation	15,080,479	5.39
Xiaomeng TONG[5]	Interest in controlled corporation	15,080,479	5.39

Notes:

(1) The letter "L" denotes the person's long position in the Shares

(2) Dr. Bo CHEN is interested in approximately 65.36% of the shareholdings of Moonshot. Ms. Cristela TOSCANO, Dr. Gang XU and Dr. Qian JIA, through their respective family trust, are interested in 13.31%, 13.31% and 8.02% of the equity interest in Moonshot, respectively.

(3) Keymed Talent Success Trust, a trust established for the purpose of facilitating the administration of the Restricted Share Unit Scheme, is the sole shareholder of Eagle Hero, which holds the Shares underlying the Restricted Share Unit Scheme. Trident Trust Company (HK) Limited is the trustee for the Restricted Share Unit Scheme.

(4) Hillhouse Investment Management, Ltd. is deemed to be interested in the Shares held by HH KNY Holdings Limited by virtue of being its sole management company.

(5) Boyu Capital Group Holdings Ltd., XYXY Holdings Ltd. and Xiaomeng TONG, by virtue of their interest in controlled corporations, are interested in the 13,623,979 Shares held by Spring Aquila Limited and 1,456,500 Shares held by Boyu Capital Opportunities Master Fund.

Report of Directors

Save as disclosed above, as at December 31, 2021, the Directors are not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the Reporting Period, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than being a director of the Company and/or its subsidiaries.

NON-COMPETITION UNDERTAKING

Our Controlling Shareholders provided a deed of non-competition (the "**Non-Competition Undertaking**") in favour of the Company, pursuant to which Our Controlling Shareholders have irrevocably given certain non-competition undertakings to the Company. Details of the Non-Competition Undertaking are set out in the section headed "Relationship with our Controlling Shareholders – Non-competition Undertaking" in the Prospectus. During the Reporting Period, no written notice of any New Business Opportunity (as defined in the Non-Competition Undertaking) had been received by the Company. Our Controlling Shareholders confirmed that they have complied with the Non-Competition Undertaking for the Reporting Period (the "**Confirmation**"). Upon receiving the Confirmation, the independent non-executive Directors of the Company have reviewed the same as part of the annual review process. In view of the above, the independent non-executive Directors have confirmed that, as far as they can ascertain, there is no breach by any of the Controlling Shareholders of the non-competition undertakings in the Non-Competition Undertaking given by them.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed in this annual report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

CHANGES IN DIRECTORS' INFORMATION

Saved as disclosed in this annual report, the Company is not aware of any changes in Directors' information that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CONNECTED TRANSACTIONS

Details on related party transactions for the year ended December 31, 2021 are set out in note 34 to the consolidated financial statements. There was no connected transaction nor continuing connected transaction of the Group which has to be disclosed in accordance with the Chapter 14A of the Listing Rules during the Reporting Period.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

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

Report of Directors

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's total issued Shares, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, was held by the public at all times during the period from the Listing Date to December 31, 2021 and as of the date of this annual report.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at December 31, 2021 are set out in note 1 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISION

Under the Articles of Association, every Director or other officers of the Company acting in relation to any of the affairs of the Company shall be entitled to be indemnified against all actions, costs, charges, losses, damages and expenses which he may incur or sustain in or about the execution of his duties in his office. The Company has arranged appropriate insurance cover in respect of legal action against its Directors and officers.

EQUITY-LINKED AGREEMENTS

Other than the RSU Scheme and the 2022 RSU Scheme, no equity-linked agreements that will or may result in the Company issuing shares, or that require the Company to enter into any agreements that will or may result in the Company issuing shares, were entered into by the Company during the year or subsisted at the end of the Reporting Period.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of any business of the Company were entered into or existed during the year ended December 31, 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Shares of the Company were listed on the Main Board of the Stock Exchange on July 8, 2021. During the period from the Listing Date to December 31, 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

SIGNIFICANT LEGAL PROCEEDINGS

During the Reporting Period, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatening against the Company.

Report of Directors

RESTRICTED SHARE UNIT SCHEME

On April 5, 2021, the Company adopted the RSU Scheme, the principal terms of the Restricted Share Unit Scheme are set out in Appendix IV to the Prospectus. The Company has appointed Trident Trust Company (HK) Limited as the trustee to assist with the administration and vesting of the awards pursuant to the Restricted Share Unit Scheme. On April 7, 2021, the Company allotted and issued 17,976,153 Shares to Eagle Hero for the purpose of the Restricted Share Unit Scheme. The aggregate number of Shares that may be awarded under the Restricted Share Unit Scheme is 17,976,153 Shares and no further Shares will be allotted and issued by the Company pursuant to the Restricted Share Unit Scheme. As the Restricted Share Unit Scheme does not involve the grant of options to subscribe for any new Shares of the Company, it is not required to be subject to the provisions under Chapter 17 of the Listing Rules. As of the date of this annual report, restricted share unit underlying 6,087,792 Shares has been granted to certain eligible participants of the Company under the Restricted Share Unit Scheme.

SHARE OPTION SCHEME

From the Listing Date and up to the date of this annual report, the Company did not have any share option scheme which was required to be disclosed.

RETIREMENT BENEFITS SCHEME

The Group has one employee who is required to participate in the Mandatory Provident Fund Scheme (the "**MPF Scheme**") in Hong Kong in compliance with the Hong Kong Mandatory Provident Fund Schemes Ordinance (Cap. 485). The MPF Scheme is a defined contribution plan administered by an independent corporate trustee. Under the MPF Scheme, each of the Group and the employee are required to make contributions to the MPF Scheme at 5% of the employee's relevant income, subject to a cap of monthly relevant income of HK$30,000.

The Group's contributions under the above-mentioned defined contribution retirement plan are expensed as incurred and no contributions have been forfeited as all contributions to the MPF Scheme vest immediately.

The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. There are no provisions under the scheme whereby forfeited contributions may be used to reduce future contributions. The employees of the PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefits scheme is to make the required contributions under the scheme.

Details of the pension obligations of the Company are set out in Note 2.3 to the consolidated financial statements in this report.

USE OF NET PROCEEDS FROM LISTING

In connection with the Global Offering, 67,004,000 Shares were issued at a price of HK$53.3 per share for a total cash consideration, after deduction of the underwriting fees and expenses, of approximately RMB2,841 million. Dealings in the shares of the Company on the Stock Exchange commenced on July 8, 2021. The Group will apply such proceeds in a manner consistent with the intended use of proceeds as set out in the Prospectus dated July 7, 2021.

Report of Directors

The table below sets forth the utilisation of the net proceeds from the Global Offering and the unused amount as at December 31, 2021:

Business objective as stated in the Prospectus	Planned applications *RMB million*	Actual utilisation as at December 31, 2021 *RMB million*	Balance as at December 31, 2021 *RMB million*	Expected timeline for unutilized amount
R&D and commercialization of the Company's core product and key drug candidates	1,705	84	1,621	By the end of 2025
Preclinical evaluation and clinical development of the Company's other pipeline products	426	48	378	By the end of 2024
Payment of lease for the Company's new manufacturing and R&D facilities and procurement of machinery and equipment	426	162	264	By the end of 2023
General corporate and working capital purposes	284	57	227	By the end of 2024
Total	2,841	351	2,490	

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

Adoption of the 2022 Restricted Share Unit Scheme

The Board has adopted the 2022 RSU Scheme on January 21, 2022. As at the date of this report, none RSU has been granted under the 2022 RSU Scheme. Please refer to the announcement dated January 21, 2022 and January 28, 2022 for further information.

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

EMPLOYEES AND REMUNERATION POLICIES

As of December 31, 2021, we had 325 employees in total, who were all based in China. In compliance with the relevant labor laws, we enter into individual employment contracts with our employees covering matters such as terms, wages, bonuses, employee benefits, workplace safety, confidentiality obligations and grounds for termination. To remain competitive in the labor market, we provide various incentives and benefits to our employees. We invest in continuing education and training programs, including internal and external training, for our management staff and other employees to upgrade their skills and knowledge. We also provide competitive salaries and opportunity to participate in share incentive schemes to our employees. We believe our benefits, working environment and development opportunities for our employees have contributed to good employee relations and employee retention.

Report of Directors

Our Company has adopted an RSU Scheme on April 5, 2021 (details of which are set forth in our Prospectus) and a 2022 RSU Scheme on January 21, 2022 (details of which are set forth in the Company's announcement dated January 21, 2022 and January 28, 2022). Details of the said schemes are set out under the section headed "share-based payments" in this annual report and in note 30 to the consolidated financial statements. During the Reporting Period, restricted share units underlying 5,119,984 Shares had been awarded under the RSU Scheme.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The emoluments of the Directors and Senior Management of the Group are decided by the Board with reference to the recommendation given by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

Details of the emoluments of the Directors, and five highest paid individuals during the Reporting Period are set out in notes 10 and 11 to the consolidated financial statements. No Directors have waived or agreed to waive any emoluments during the Reporting Period.

Except as disclosed above, no other payments have been made or are payable, for the year ended December 31, 2021, by the Group to or on behalf of any of the Directors.

AUDIT COMMITTEE

The Board has established the Audit Committee which comprises three independent non-executive Directors, namely Mr. Cheuk Kin Stephen LAW, Mr. Qi CHEN and Prof. Linqing LIU. Mr. Cheuk Kin Stephen LAW serves as the chairperson of the Audit Committee, who has the professional qualification and experience in financial matters in compliance with the requirements of the Listing Rules. The primary duties of the Audit Committee are to review and supervise the Company's financial reporting process and internal controls.

The Audit Committee, together with the management and external auditor of the Company, has reviewed the accounting principles and policies adopted by the Company and discussed internal control and financial reporting matters (including the review of the condensed consolidated financial statements of the Group for the year ended December 31, 2021) of the Group, and is of the view that the annual results of the Group is prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosures have been duly made.

AUDITOR

Ernst & Young was appointed as the auditor of the Company during the Reporting Period. The Company did not change its auditors since the Listing Date.

Ernst & Young shall retire at the AGM and, being eligible, will offer itself for re-appointment as auditor of the Company. A resolution for the re-appointment of Ernst & Young as auditor of the Company will be proposed at the AGM.

On behalf of the Board
Dr. Bo CHEN
Chairman

Hong Kong, March 29, 2022

Independent Auditor's Report

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979 King's Road
Quarry Bay, Hong Kong

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To the shareholders of Keymed Biosciences Inc.

(Incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Keymed Biosciences Inc. (the "Company") and its subsidiaries (the "Group") set out on pages 88 to 155, 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, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 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") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

Independent Auditor's Report

For the six months ended 30 June 2021

Key audit matter	How our audit addressed the key audit matter
Risk of misstatement of research and development expenses	
The Group incurred significant research and development ("R&D") expenses of RMB358.2 million as disclosed in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021, mainly consist of service fees paid to contract research organisations and clinical site management organisations (collectively referred as "Outsourced Service Providers"). R&D activities with these Outsourced Service Providers are documented in agreements and are typically performed over an extended period. These expenses are charged to profit or loss based on the progress of the R&D projects estimated by the management. We identified the measurement of R&D expenses as a key audit matter due to its significant amount and the allocation of these expenses to the appropriate reporting period. The accounting policy and the disclosure for significant accounting judgement related to R&D expenses have been disclosed in notes 2.3 and 3 to financial statements, respectively.	We obtained an understanding of and evaluated the key controls over the R&D process. We inquired management about the reasons for periodical fluctuations in R&D expenses and assessed the reasonableness of those fluctuations. We, on a sampling basis, selected R&D transactions to i) review the key terms set out in related agreements with Outsourced Service Providers; ii) inquire the R&D personnel and inspect related supporting documents to verify the progress of the R&D projects; and iii) recalculate the allocation of R&D expenses with the reference to the progress of the R&D projects.

Independent Auditor's Report

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

Independent Auditor's Report

For the six months ended 30 June 2021

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

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

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

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

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

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

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

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

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

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

Independent Auditor's Report

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

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

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

Ernst & Young
Certified Public Accountants
Hong Kong
29 March 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2021

	Notes	**2021** ***RMB'000***	2020 *RMB'000*
Revenue	*5*	**110,269**	–
Cost of sales		**(17,200)**	–
GROSS PROFIT		**93,069**	–
Other income and gains	*6*	**52,667**	41,190
Research and development expenses		**(358,156)**	(127,400)
Administrative expenses		**(92,454)**	(21,548)
Listing expenses		**(37,932)**	(280)
Fair value losses on convertible redeemable preferred shares	*27*	**(3,480,294)**	(696,470)
Other expenses	*7*	**(57,680)**	(31)
Finance costs	*8*	**(11,133)**	(14,309)
Share of losses of a joint venture	*18*	**(719)**	–
LOSS BEFORE TAX	*9*	**(3,892,632)**	(818,848)
Income tax expense	*12*	**–**	–
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(3,892,632)**	(818,848)
Attributable to:			
Owners of the parent		**(3,887,309)**	(818,583)
Non-controlling interests		**(5,323)**	(265)
		(3,892,632)	(818,848)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	*14*	**(RMB24.17)**	(RMB12.20)

Consolidated Statement of Financial Position

Year ended 31 December 2021

	Notes	**2021** ***RMB'000***	2020 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*15*	**139,419**	100,992
Right-of-use assets	*16*	**38,111**	23,823
Other intangible assets	*17*	**1,104**	109
Prepayments, other receivables and other assets	*20*	**153,591**	24,104
Investment in a joint venture	*18*	**20,281**	–
Total non-current assets		**352,506**	149,028
CURRENT ASSETS			
Inventories	*19*	**16,393**	6,846
Contract assets	*37*	**3,980**	–
Prepayments, other receivables and other assets	*20*	**36,997**	19,989
Financial assets at fair value through profit or loss ("FVTPL")	*21*	**53,401**	10,394
Time deposits	*22*	**1,950,559**	144,279
Cash and cash equivalents	*22*	**1,520,619**	199,409
Total current assets		**3,581,949**	380,917
CURRENT LIABILITIES			
Trade payables	*23*	**2,784**	3,418
Other payables and accruals	*24*	**95,402**	19,398
Amounts due to related parties	*34*	**553**	42,373
Deferred income	*25*	**1,612**	2,873
Contract liabilities	*26*	**–**	8,000
Lease liabilities	*16*	**11,724**	4,178
Total current liabilities		**112,075**	80,240
NET CURRENT ASSETS		**3,469,874**	300,677
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,822,380**	449,705

Consolidated Statement of Financial Position

Year ended 31 December 2021

	Notes	**2021** ***RMB'000***	2020 *RMB'000*
NON-CURRENT LIABILITIES			
Deferred income	*25*	**8,719**	6,786
Lease liabilities	*16*	**26,985**	20,314
Convertible redeemable preferred shares	*27*	**–**	1,385,772
Other financial liabilities	*28*	**141,294**	131,636
Total non-current liabilities		**176,998**	1,544,508
NET ASSETS/(LIABILITIES)		**3,645,382**	(1,094,803)
EQUITY/(DEFICIENCY IN EQUITY)			
Equity attributable to owners of the parent			
Share capital	*29*	**171**	45
Reserves/(deficits)	*31*	**3,650,799**	(1,094,583)
		3,650,970	(1,094,538)
Non-controlling interests		**(5,588)**	(265)
TOTAL EQUITY/(DEFICITS)		**3,645,382**	(1,094,803)

Bo Chen
Director

Changyu Wang
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2021

Year ended 31 December 2021

	Attributable to owners of the parent						
	Share capital *RMB'000* **(note 29)**	**Share premium*** *RMB'000* **(note 31)**	**Share-based payments reserve*** *RMB'000* **(note 30)**	**Accumulated losses*** *RMB'000*	**Subtotal** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total** *RMB'000*
At 1 January 2021	**45**	**–**	**–**	**(1,094,583)**	**(1,094,538)**	**(265)**	**(1,094,803)**
Total comprehensive loss for the year	**–**	**–**	**–**	**(3,887,309)**	**(3,887,309)**	**(5,323)**	**(3,892,632)**
Share-based payments (note 30)	**–**	**–**	**116,823**	**–**	**116,823**	**–**	**116,823**
Conversion of redeemable convertible preferred shares into ordinary shares upon initial public offering ("IPO") (note 27)	**83**	**5,667,280**	**–**	**–**	**5,667,363**	**–**	**5,667,363**
Issue of ordinary shares from IPO and exercise of over-allotment option	**43**	**2,973,875**	**–**	**–**	**2,973,918**	**–**	**2,973,918**
Share issue expenses	**–**	**(125,287)**	**–**	**–**	**(125,287)**	**–**	**(125,287)**
At 31 December 2021	**171**	**8,515,868**	**116,823**	**(4,981,892)**	**3,650,970**	**(5,588)**	**3,645,382**

Year ended 31 December 2020

	Attributable to owners of the parent						
	Share capital *RMB'000* (note 29)	Share premium* *RMB'000*	Share-based payments reserve* *RMB'000*	Accumulated losses* *RMB'000*	Subtotal *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At 1 January 2020	45	–	–	(276,000)	(275,955)	–	(275,955)
Total comprehensive loss for the year	–	–	–	(818,583)	(818,583)	(265)	(818,848)
At 31 December 2020	45	-	–	(1,094,583)	(1,094,538)	(265)	(1,094,803)

* These reserve accounts compromise the consolidated reserves of RMB3,650,799,000 (31 December 2020: deficits of RMB1,094,583,000) in consolidated statements of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS USED IN OPERATING ACTIVITIES			
Loss before tax		**(3,892,632)**	(818,848)
Adjustments for:			
Finance costs	*8*	**11,133**	14,309
Interest income	*6*	**(5,964)**	(3,323)
Interest income on other investments classified as financial assets at FVTPL	*6*	**(1,049)**	(2,160)
Gain on fair value changes of other investments classified as financial assets at FVTPL	*6*	**–**	(162)
Foreign exchange losses/(gains), net	*7/6*	**54,721**	(21,784)
Depreciation of property plant and equipment	*15*	**12,804**	13,894
Amortisation of other intangible assets	*17*	**77**	19
Depreciation of right-of-use assets	*16*	**8,138**	5,079
Disposal of property, plant and equipment	*15*	**705**	–
Government grants income	*25*	**(3,234)**	(2,668)
Share-based payments	*30*	**116,823**	–
Share of losses of a joint venture	*18*	**719**	–
Fair value losses on convertible redeemable preferred shares	*27*	**3,480,294**	696,470
		(217,465)	(119,174)
Increase in prepayments, other receivables and other assets		**(13,808)**	(15,416)
Increase in inventories		**(9,547)**	(3,540)
Increase in contract assets		**(3,980)**	–
Increase in deferred income		**1,000**	2,300
Decrease in trade payables		**(634)**	(60)
Increase in other payables and accruals		**37,797**	8,529
(Decrease)/increase in contract liabilities		**(8,000)**	8,000
Net cash flows used in operating activities		**(214,637)**	(119,361)

Consolidated Statement of Cash Flows

Year ended 31 December 2021

	Notes	**2021** ***RMB'000***	2020 *RMB'000*
CASH FLOWS USED IN INVESTING ACTIVITIES			
Interest received		**5,964**	4,711
Purchases of property, plant and equipment		**(171,786)**	(19,806)
Receipts of government grants for property, plant and equipment		**2,906**	7,000
Purchases of intangible assets		**(1,072)**	(90)
Purchases of wealth management products		**(182,523)**	(329,500)
Proceeds from disposal of wealth management products		**140,565**	385,600
Placement of time deposits with maturity dates over three months		**(2,570,559)**	(347,465)
Withdrawal of time deposits with maturity dates over three months		**763,548**	186,483
Increase in advances to employees		**(1,922)**	–
Capital contributions to a joint venture		**(21,000)**	–
Net cash flows used in investing activities		**(2,035,879)**	(113,067)
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease payments	*16*	**(9,684)**	(5,464)
Repayments to related parties		**(42,373)**	(5,614)
Payment from related parties		**553**	–
Proceeds from issue of preferred shares	*27*	**872,111**	3,475
Proceeds from disposal of a subsidiary without losing control		**–**	15,000
Redemption of convertible redeemable preferred shares		**(58,154)**	–
Net proceeds from issue of ordinary shares from IPO and exercise of over-allotment option		**2,887,641**	–
Share issue expenses		**(8,497)**	–
Rental deposits paid		**(3,221)**	–
Net cash flows from financing activities		**3,638,376**	7,397
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**1,387,860**	(225,031)
Cash and cash equivalents at beginning of year		**199,409**	432,608
Effect of foreign exchange rate changes, net		**(66,650)**	(8,168)
CASH AND CASH EQUIVALENTS AT END OF YEAR	*22*	**1,520,619**	199,409
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**981,080**	199,409
Time deposits with maturity dates within three months		**539,539**	–
Cash and cash equivalents as stated in the consolidated statement of financial position	*22*	**1,520,619**	199,409

Notes to Financial Statements

31 December 2021

1. CORPORATE INFORMATION

Keymed Biosciences Inc. (the "Company") was incorporated in the Cayman Islands ("Cayman") on 23 April 2018 as a limited liability company. The registered office of the Company is located at the offices of 4th Floor, Willow House, Cricket Square, Grand Cayman KY1-9010, Cayman Islands.

The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 8 July 2021.

During the year ended 31 December 2021, the Group was involved in the research and development of pharmaceutical products.

Information about subsidiaries

As at the date of this report, particulars of the Company's principal subsidiaries are as follows:

Name	Place and date of incorporation/ registration and place of operations	Issued ordinary shares/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
iBridge Holdings Limited	British Virgin Islands ("BVI") 15 April 2016	USD10,000	100%	–	Investment holding
iBridge HK Holdings Limited一橋香港控股有限公司	Hong Kong 20 April 2016	HKD1	–	100%	Investment holding
Wealth Venture Enterprises Limited	BVI 30 March 2016	USD10,000	100%	–	Investment holding
Wealth Venture Enterprises (Hong Kong) Limited	Hong Kong 15 April 2016	HKD1	–	100%	Investment holding
KYM Biosciences Inc.	United States of America ("USA") 2 December 2019	USD0.1	–	70%	Research and development
Keymed Biosciences (US) Inc.	United States of America ("USA") 2 December 2021	USD0.5	–	100%	Research and development
iBridge Australia Pty Limited	Australia 31 January 2019	AUD12	–	100%	Research and development
Keymed Biosciences (Chengdu) Co., Ltd.*康諾亞生物醫藥科技(成都)有限公司	Mainland China 1 September 2016	USD106,662,362	–	100%	Research and development

Notes to Financial Statements

31 December 2021

1. CORPORATE INFORMATION (Continued)

Information about subsidiaries (Continued)

Name	Place and date of incorporation/ registration and place of operations	Issued ordinary shares/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Kangnuo Boyu Biomedical Technology (Chengdu) Co., Ltd.*康諾博譽生物醫藥科技(成都)有限公司	Mainland China 29 December 2020	USD15,200,000	–	100%	Research and development
Beijing Lingyue Biomedical Technology Co., Ltd.*北京岑樾生物醫藥科技有限公司	Mainland China 4 December 2019	RMB10,000,000	–	100%	Research and development
Shanghai Lingyue Biomedical Technology Co., Ltd.*上海岑樾生物醫藥科技有限公司	Mainland China 3 December 2018	RMB1,000,000	–	100%	Research and development
Chengdu Huamian Biotechnology Co., Ltd.*成都華免生物科技有限公司	Mainland China 8 April 2016	RMB15,000,000	–	100%	Research and development
Chengdu Kangnuo Xing Biosciences Co., Ltd.* 成都康諾行生物醫藥科技有限公司 ("Chengdu Kangnuo Xing")	Mainland China 9 November 2017	RMB12,300,000	–	81.30%	Development and manufacturing

* These entities are limited liability enterprises established under the PRC law. The English names of these companies represent the best effort made by the directors of the Company (the "Directors"), as none of them have been registered with official English names.

Notes to Financial Statements

31 December 2021

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. All IFRSs effective for the accounting period commencing from 1 January 2021, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the financial statements throughout the year ended 31 December 2021.

These financial statements have been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value at the end of the reporting period. They are presented in Renminbi("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

Notes to Financial Statements

31 December 2021

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

2.1 BASIS OF PREPARATION (Continued)

***Basis of consolidation** (Continued)*

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

2.2 ISSUED BUT NOT YET EFFECTIVE IFRSs

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

Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to IFRSs 2018-2020	*Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 3	*Reference to the Conceptual Framework*[1]
IFRS 17	*Insurance Contracts*[2]
Amendments to IFRS 17	*Insurance Contracts*[2,4]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2,5]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to IAS 8	*Definition of Accounting Estimates*[2]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the amendments to IFRS 17 issued in June 2020, the effective date of IFRS 17 was deferred to annual period beginning on or after 1 January 2023, and IFRS 4 was amended to extend the temporary exemption that permit insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023
5 In July 2021, the effective date of the amendments to IAS 1 was tentatively decided to be deferred to annual periods beginning on or after 1 January 2024

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs may result in changes in accounting policies and are unlikely to have a significant impact on the Group's results of operations and financial position.

Notes to Financial Statements

31 December 2021

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment in a joint venture

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

The Group's investment in a joint venture is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of a joint venture is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and a joint venture are eliminated to the extent of the Group's investments in a joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of the joint venture is included as part of the Group's investment in a joint venture.

If an investment in a joint venture becomes an investment in an associate or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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

Fair value measurement

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

Notes to Financial Statements

31 December 2021

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Fair value measurement** (Continued)*

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

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

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

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

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

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

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

Impairment of non-financial assets

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

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

Notes to Financial Statements

31 December 2021

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Impairment of non-financial assets** (Continued)*

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

Related parties

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

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

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

  (ii) has significant influence over the Group; or

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

or

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

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

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

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

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

  (vi) the entity is controlled or jointly controlled by a person identified in (a);

  (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

  (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Notes to Financial Statements

31 December 2021

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Machinery	10% to 20%
Office equipment and others	10% to 20%
Motor vehicles	10%
Leasehold improvements	The shorter of remaining lease terms and estimated useful lives

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at the end of each reporting period.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Notes to Financial Statements

31 December 2021

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of the reporting period.

The estimated useful life of other intangible assets is determined by considering the period of the economic benefits to the Group or the periods of validity of intangible assets protected by the relevant laws, as well as by referring to the industry practice.

Computer software	20%

Research and development expenses

All research expenses are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

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

The Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Notes to Financial Statements

31 December 2021

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Leases** (Continued)*

The Group as a lessee (Continued)

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Office and laboratory	2 to 9 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

Notes to Financial Statements

31 December 2021

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Leases** (Continued)*

The Group as a lessee (Continued)

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office properties (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that is considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, and fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Notes to Financial Statements

31 December 2021

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Investments and other financial assets** (Continued)*

Initial recognition and measurement (Continued)

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at FVTPL

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

Debt instruments that do not meet the criteria for amortised cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss.

Derecognition of financial assets

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liabilities are measured on a basis that reflects the rights and obligations that the Group has retained.

Notes to Financial Statements

31 December 2021

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Investments and other financial assets** (Continued)*

Derecognition of financial assets (Continued)

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Notes to Financial Statements

31 December 2021

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Investments and other financial assets** (Continued)*

Impairment of financial assets (Continued)

General approach *(Continued)*

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs.

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs.

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs.

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, financial liabilities included in other payables and accruals, amounts due to related parties, convertible redeemable preferred shares, and other financial liabilities.

Notes to Financial Statements

31 December 2021

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Financial liabilities** (Continued)*

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost

After initial recognition, trade payables, financial liabilities included in other payables and accruals, other financial liabilities and amounts due to related parties are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss and other comprehensive income.

Financial liabilities measured at FVTPL

Financial liabilities measured at FVTPL include convertible redeemable preferred shares.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the consolidated statement of profit or loss and other comprehensive income. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities. The Group has designated its convertible redeemable preferred shares as financial liabilities at fair value through profit or loss, details of which are included in note 27 to the financial statements.

Call and put options over non-controlling interests

The Group decides that IAS 32 take precedence when a non-controlling interest in any of the subsidiaries of the Group with a call or put option is granted to the non-controlling shareholders, meaning that the Company and the subsidiaries comprising the Group have the right or obligation to repurchase the equity interest held by the non-controlling shareholders. Hence, the equity interest in such circumstance is recognised as financial liabilities with no non-controlling interest being recognised. The amount of the financial liability is the present value of the exercise price to be paid to the non-controlling shareholders under the put option. Changes in the carrying amount of the financial liability are recognised in profit or loss.

If the option is exercised, the financial liability is extinguished by the payment of the exercise price.

Notes to Financial Statements

31 December 2021

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Financial liabilities** (Continued)*

Subsequent measurement (Continued)

Call and put options over non-controlling interests *(Continued)*

If the option is not exercised, then the Company and the subsidiaries comprising the Group have effectively disposed of a partial interest in its subsidiary, without loss of control, in return for the amount recognised as the financial liability at the date of expiry. The consideration received is the amount of the financial liability extinguished and any difference between this and the carrying amount of the non-controlling interest is recognised within equity.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liabilities is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing raw materials to its present location and condition are accounted for as purchase cost on a first-in/first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash and bank balances, and time deposits with maturity dates within three months, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Notes to Financial Statements

31 December 2021

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Cash and cash equivalents** (Continued)*

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash and bank balances, time deposits with maturity dates within three months and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liabilities method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liabilities arise from the initial recognition of goodwill or an asset or liabilities in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and a joint venture, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Notes to Financial Statements

31 December 2021

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Income tax** (Continued)*

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liabilities in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and a joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of the reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed. When the grant relates to expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future costs and obligations, it is recognised in profit or loss in the period in which it becomes receivable.

Notes to Financial Statements

31 December 2021

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Government grants** (Continued)*

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

Collaboration revenue

At contract inception, the Group analyses the collaboration arrangements to assess whether they are within the scope of IFRS 11 Joint Arrangements to determine whether such arrangements involve joint operating activities performed by parties that are both active participants in the activities and exposed to significant risks and rewards dependent on the commercial success of such activities. For collaboration arrangements within the scope of IFRS 11 that contain multiple elements, the Group first determine which elements of the collaboration are deemed to be within the scope of IFRS 11 and those that are more reflective of a vendor-customer relationship and therefore within the scope of IFRS 15 – Revenue from Contracts with Customers. For elements of collaboration arrangements that are accounted for pursuant to IFRS 11, an appropriate recognition method is determined and applied consistently.

Notes to Financial Statements

31 December 2021

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Revenue recognition** (Continued)*

Collaboration revenue (Continued)

In determining the appropriate amount of revenue to be recognized as the Group fulfils its obligations under each of the collaboration agreements, the management of the Company perform the five-step model under IFRS 15. The collaboration arrangements may contain more than one unit of account, or performance obligation, including grants of licenses to intellectual property rights (the "Licenses"), agreements to provide research and development services and other deliverables. The collaborative arrangements typically do not include a right of return for any deliverable. In general, the consideration allocated to each performance obligation is recognized when the respective obligation is satisfied either by delivering a good or rendering a service, limited to the consideration that is not constrained. Non-refundable payments received before all of the relevant criteria for revenue recognition are satisfied are recorded as contract liabilities.

Licenses of Intellectual Property ("IP")

Upfront non-refundable payments for Licenses are evaluated to determine if they are distinct from the other performance obligations identified in the arrangements. For Licenses determined to be distinct, the Group recognises revenues from non-refundable up-front fees allocated to the Licenses at a point in time, when the Licenses are transferred to the licensee and the licensee is able to use and benefit from the Licenses.

Research and Development Services

The portion of the transaction price allocated to research and development services performance obligations is deferred and recognized as collaboration revenue at the point in time when research and development services are rendered to customers.

Milestone Payments

At the inception of each arrangement that includes development milestone payments, the management of the Company evaluates whether the milestones are considered probable of being reached and estimates the amount to be included in the transaction price using the most likely amount method. If it is probable that a significant revenue reversal would not occur, the associated milestone value is included in the transaction price. Milestones related to development-based activities may include initiation of various phases of clinical trials. Due to the uncertainty involved in meeting these development-based targets, they are generally fully constrained at contract inception. The management of the Company will assess whether the variable consideration is fully constrained each reporting period based on the facts and circumstances surrounding the clinical trials. Upon changes to constraint associated with the developmental milestones, variable consideration will be included in the transaction price when a significant reversal of revenue recognized is not expected to occur and allocated to the separate performance obligations. Regulatory milestones are fully constrained until the period in which those regulatory approvals are achieved due to the inherent uncertainty with the approval process. Regulatory milestones are included in the transaction price in the period regulatory approval is obtained.

Notes to Financial Statements

31 December 2021

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Revenue recognition** (Continued)*

Collaboration revenue (Continued)

Royalties

For arrangements that include sales-based royalties, including milestone payments based on the level of sales, and the Licenses are deemed to be the predominant item to which the royalties relate, the Group recognises revenue at the later of (i) when the related sales occur, or (ii) when the performance obligation to which some or all of the royalty has been allocated has been satisfied (or partially satisfied).

Other income

Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract development and manufacturing services income

The Group renders contract development and manufacturing services ("CDM services"), which are typically comprised of several performance obligations which are capable of being distinct and separately identifiable. Accordingly, the transaction price is allocated based on the relative stand-alone selling price of the services. Customers do not receive and consume the benefits of the Group's performance until the services or solutions are delivered to the customers. Customers do not obtain control as the asset (work in process) is created or enhanced. The primary performance obligation of CDM services creates assets without an alternative use and the Group does not have an enforceable right to payment for performance completed to date. Therefore, the revenue of CDM services is recognized at a point in time.

Otherwise, revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

Contract liabilities are recognised when a payment is received from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group completes its performance obligations under the contract (i.e., transfers control of the related goods or services to the customer).

Notes to Financial Statements

31 December 2021

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Share-based payments

In March 2021, Dr. Bo Chen, Dr. Qian Jia and Moonshot Holdings Limited entered into an agreement, pursuant to which Dr. Qian Jia was granted an option to purchase up to 802 ordinary shares of Moonshot Holdings Limited held by Dr. Bo Chen. Dr. Qian Jia in this case received remuneration in the form of share-based payments in exchange for her rendering of services.

The Company, in addition, operates a restricted share unit scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined based on the fair values of ordinary shares of the Company, further details of which are given in note 30 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Notes to Financial Statements

31 December 2021

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Share-based payments** (Continued)*

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share

Other employee benefits

Pension scheme

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

Notes to Financial Statements

31 December 2021

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are RMB. As at the end of the reporting period, the assets and liabilities of these entities recorded in currencies other than RMB are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Judgements (Continued)

Research and development expenses

All research expenses are charged to profit or loss as incurred. Expenses incurred on each pipeline to develop new products are capitalised and deferred in accordance with the accounting policy for research and development expenses in note 2.3 to financial statements. Determining the amounts to be capitalised requires management to make judgements on the technical feasibility of existing pipelines to be successfully commercialised and bring economic benefits to the Group.

Estimation uncertainty

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

Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgement on the future tax treatment of certain transactions and when certain matters relating to the income taxes have not been confirmed by the local tax bureau. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Allocation of research and development expenses related to Outsourced Service Providers to the appropriate reporting period

Research and development expenses include costs related to services provided by Outsourced Service Providers. The allocation of such services fees to the appropriate reporting period involves estimations, because billing and payment terms under agreements with Outsourced Service Providers are usually not consistent with the actual progress of the services contained in the agreements. Hence, management is required to make estimations regarding to the progress of each service in the agreements. These estimations are made based on a number of factors, mainly include management's knowledge of the status of each research and development pipeline, nature of services contained in the agreements, as well as billings and payments to date of each agreement.

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4. OPERATING SEGMENT INFORMATION

Operating segment information

The Group is engaged in biopharmaceutical research and development, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for purposes of resource allocation and performance assessment. Therefore, no further operating segment analysis thereof is presented.

Geographical information

During the year ended 31 December 2021, the Group generated all revenue from Mainland China.

Majority of the Group's non-current assets were located in Mainland China as at 31 December 2021, geographical segment information in accordance with IFRS 8 Operation Segments is presented.

(a) Non-current assets

	2021 ***RMB'000***	2020 *RMB'000*
Hong Kong	**703**	–
Mainland China	**351,803**	149,028
	352,506	149,028

The non-current asset information of continuing operations above is based on the locations of the assets.

Information about major customers

Revenue of approximately RMB110,000,000 (2020: Nil) was derived from collaborations with two pharmaceutical companies. Further details are set out in note 5.

5. REVENUE

An analysis of revenue is as follows:

Revenue from contracts with customers

(a) Disaggregated revenue information

	2021 ***RMB'000***	2020 *RMB'000*
Type of services		
Collaboration revenue	**110,269**	–
Timing of revenue recognition		
Transferred at a point in time	**110,269**	–

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5. REVENUE (Continued)

Revenue from contracts with customers (Continued)

(a) Disaggregated revenue information (Continued)

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in current periods:

	2021	2020
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Collaboration revenue	**8,000**	–

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Collaboration revenue

The performance obligation is satisfied at a point in time when the customer obtains the rights to use the underlying IP under the Licenses.

In April 2020, the Group entered into a license and collaboration agreement (the "InnoCare Agreement") with Beijing InnoCare Pharma Tech Co., Ltd. ("InnoCare"), a subsidiary of InnoCare Pharma Limited (HKSE: 9969), under which the Group granted to InnoCare an exclusive license for 50% ownership of CM355 at a consideration of RMB40 million, of which RMB8 million was received in 2020 and recorded as contract liability as at 31 December 2020. As the Group has fulfilled its obligation in respect of completing the pre-clinical study and obtaining IND approval for CM355 during the year ended 31 December 2021, the Group recognised the revenue of RMB40 million accordingly. In addition, pursuant to the InnoCare Agreement, the Group and InnoCare agreed to transfer all the rights to CM355 to a joint venture established by the Group and InnoCare after the receipt of the IND approval for CM355.

In March 2021, the Group entered into an exclusive license agreement (the "CSPC Agreement") with JMT-Bio Technology Co., Ltd. ("JMT-Bio"), a wholly-owned subsidiary of CSPC Pharmaceutical Group Limited ("CSPC") (HKSE: 1093), to develop, use, sell, offer for sale and commercialise CM310 (the" Product"), an IL-4Rα antibody, for the treatment of moderate and severe asthma, COPD and other respiratory diseases (the "Field") in China (excluding Hong Kong, Macau, or Taiwan) (the "Territory"). Pursuant to the CSPC Agreement, CSPC will be responsible for the clinical development, regulatory activities and commercialisation of CM310 in the Field and the Territory at its own costs and expenses. CSPC will be the market authorisation holder of CM310 in the Field, including asthma, and in the Territory, once approved. Pursuant to the CSPC Agreement, the Group is entitled to receive upfront, milestone and royalty payments. In May 2021, CSPC paid to the Group a one-time and non-refundable upfront payment of RMB70 million. The Group recognised revenue of RMB70 million when the Group had completed granting an exclusive and royalty-bearing license under the know-how and patents related to the Product in the Field and the Territory to CSPC accordingly during the year ended 31 December 2021.

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6. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	2021 ***RMB'000***	2020 *RMB'000*
Other income		
Government grants income (note 25)	**24,154**	13,761
CDM service income (note (i))	**21,500**	–
Interest income on other investments classified as financial assets at FVTPL	**1,049**	2,160
Interest income	**5,964**	3,323
	52,667	19,244
Gains		
Fair value gains on other investments classified as financial assets at FVTPL	**–**	162
Gain on exchange differences, net	**–**	21,784
	–	21,946
	52,667	41,190

(i) CDM service income is one-off and non-recurring services rendered to a third party during the year.

7. OTHER EXPENSES

	2021 ***RMB'000***	2020 *RMB'000*
Exchange loss, net	**54,721**	–
Contract development and manufacturing service costs	**1,756**	–
Others	**1,203**	31
	57,680	31

8. FINANCE COSTS

	2021 ***RMB'000***	2020 *RMB'000*
Implicit interest on other financial liabilities	**9,658**	12,814
Interest on lease liabilities	**1,475**	1,255
Interest on amounts due to related parties	**–**	240
	11,133	14,309

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9. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Notes	**2021** ***RMB'000***	2020 *RMB'000*
Depreciation of property, plant and equipment	*15*	**12,804**	13,894
Depreciation of right-of-use assets	*16*	**8,138**	5,079
Amortisation of other intangible assets	*17*	**77**	19
Listing expenses		**37,932**	280
Lease payments not included in the measurement of lease liabilities	*16*	**2,486**	1,808
Government grants income	*6*	**(24,154)**	(13,761)
Auditors' remuneration		**2,800**	–
Interest income from other investments classified as financial assets at FVTPL	*6*	**(1,049)**	(2,160)
Interest income	*6*	**(5,964)**	(3,323)
Finance costs	*8*	**11,133**	14,309
Foreign exchange losses/(gains), net	*7/6*	**54,721**	(21,784)
Fair value losses on convertible redeemable preferred shares	*27*	**3,480,294**	696,470
Fair value gains on other investments classified as financial assets at FVTPL	*6*	**–**	(162)
Employee benefit expenses (excluding directors' and chief executive's remuneration)			
– Wages and salaries		**77,671**	25,571
– Pension scheme contributions		**6,933**	2,181
– Staff welfare expenses		**992**	–
– Share-based payments expense		**116,823**	–
		202,419	27,752

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year ended 31 December 2021, disclosed pursuant to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is set out below:

	2021 ***RMB'000***	2020 *RMB'000*
Fees	**1,298**	–
Other emoluments:		
Salaries, bonuses, allowances and benefits in kind	**6,326**	1,157
Pension scheme contributions	**104**	14
	6,430	1,171

Notes to Financial Statements

31 December 2021

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2021 *RMB'000*
Dr. Xiaofan Wang	**309**
Dr. Yang Ke	**309**
Cheuk Kin Stephen Law	**371**
Dr. Linqing Liu	**309**
	1,298

Note: Dr. Xiaofan Wang, Dr. Yang Ke, Cheuk Kin Stephen Law and Dr. Linqing Liu were appointed as independent non-executive directors of the Company with effect from April 2021 (31 December 2020: Nil).

(b) Executive directors, non-executive directors and the chief executive

2020

	Fees *RMB'000*	Salaries, bonuses, allowances and benefits in kind *RMB'000*	Pension scheme contributions *RMB'000*	Total *RMB'000*
Director and chief executive:				
Dr. Bo Chen (note (i))	–	227	4	231
Directors:				
Dr. Gang Xu (note (ii))	–	930	10	940
Cristela Toscano (note (ii))	–	–	–	–
Qi Chen (note (ii))	–	–	–	–
Yan Leng (note (ii))	–	–	–	–
Qingqing Yi (note (ii))	–	–	–	–
Quanhong Yuan (note (ii))	–	–	–	–
Liang Lin (note (iii))	–	–	–	–
	–	1,157	14	1,171

Notes to Financial Statements

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10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive directors, non-executive directors and the chief executive (Continued)

2021

	Fees *RMB'000*	Salaries, bonuses, allowances and benefits in kind *RMB'000*	Pension scheme contributions *RMB'000*	Total *RMB'000*
Director and chief executive:				
Dr. Bo Chen (note(i))	–	**3,556**	**63**	**3,619**
Directors:				
Dr. Gang Xu (note (ii))	–	**968**	**28**	**996**
Cristela Toscano (note (ii))	–	–	–	–
Qi Chen (note (ii))	–	–	–	–
Yan Leng (note (ii))	–	–	–	–
Qingqing Yi (note (ii))	–	–	–	–
Quanhong Yuan (note (ii))	–	–	–	–
Liang Lin (note (iii))	–	–	–	–
Dr.Dong Lyu (note (iv))	–	–	–	–
Dr. Minchuan Wang (note (iv))	–	–	–	–
Yilun Liu (note (iv))	–	–	–	–
Dr. Changyu Wang (note (v))	–	**1,802**	**13**	**1,815**
	–	**6,326**	**104**	**6,430**

Notes:

(i) Dr. Bo Chen was appointed as an executive director of the Company and the chairman of the Board of Directors (the "Board") with effect from April 2018.

(ii) Dr. Gang Xu, Cristela Toscano, Qi Chen, Yan Leng, Qingqing Yi and Quanhong Yuan were appointed as directors of the Company with effect from June 2018.

(iii) Liang Lin was appointed as a director of the Company with effect from December 2019.

(iv) Dr.Dong Lyu, Dr. Minchuan Wang and Yilun Liu were appointed as non-executive directors of the Company with effect from March 2021.

(v) Dr. Changyu Wang was appointed as an executive director of the Company with effect from March 2021.

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11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year ended 31 December 2021 included 1 director (2020: 1 director), whose details of remuneration are set out in note 10 above. Details of the remuneration for the remaining 4 highest paid employees (2020: 4 highest paid employees) who are neither a director nor chief executive of the Company during the year ended 31 December 2021 are as follows:

	2021	2020
	RMB'000	*RMB'000*
Salaries, bonuses, allowances and benefits in kind	**6,121**	4,950
Pension scheme contributions	**74**	199
Share-based payments	**99,024**	–
	105,219	5,149

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	2021	2020
Nil to HK$1,000,000	**–**	2
HK$1,000,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$3,000,000	**1**	1
HK$3,000,001 to HK$4,000,000	**1**	–
HK$8,000,001 to HK$9,000,000	**1**	–
HK$114,000,001 to HK$115,000,000	**1**	–
	4	4

12. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Cayman Islands

Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax.

British Virgin Islands

Pursuant to the rules and regulations of the British Virgin Islands ("BVI"), the subsidiaries incorporated in the BVI are not subject to any income tax.

United States of America

Subsidiaries incorporated in Delaware, the USA, are subject to the statutory federal corporate income tax at a rate of 21% during the year ended 31 December 2021.

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12. INCOME TAX (Continued)

Hong Kong

The subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax at the statutory rate of 16.5% on any estimated assessable profits arising in Hong Kong during the year ended 31 December 2021. No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year ended 31 December 2021.

Mainland China

The subsidiaries incorporated in Mainland China are subject to the statutory rate of 25% on the taxable profits determined in accordance with the PRC Corporate Income Tax Law which became effective on 1 January 2008.

The Group had no taxable income during the year ended 31 December 2021.

A reconciliation of the tax expense applicable to loss before tax using the statutory rate of the jurisdictions in which the majority of the Group's subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2021 ***RMB'000***	2020 *RMB'000*
Loss before tax	**(3,892,632)**	(818,848)
Tax charged at the statutory tax rate of 25%	**(973,158)**	(204,712)
Effect of different tax rates enacted by local authorities	**899,421**	170,991
Additional deductible allowance for qualified research and development costs	**(45,311)**	(24,388)
Deductible temporary difference and tax losses not recognised	**82,771**	57,998
Expenses not deductible for tax	**36,277**	111
Tax charge at the Group's effective rate	**–**	–

The Group has accumulated tax losses in Mainland China of RMB680,246,000 in aggregate as at the end of 2021 (2020: RMB371,812,000), which can be carried forward for five to ten years to offset against future taxable profits of the companies in which losses were incurred.

The Group has accumulated tax losses in the USA of RMB1,203,000 in aggregate as at the end of 2021 (2020: RMB884,000), which can be carried forward indefinitely to offset against future taxable profits of the companies in which the losses were incurred.

Deferred tax assets have not been recognised in respect of these tax losses as they have been incurred in subsidiaries that were loss-making in the past and it is not probable that they will generate sufficient taxable income in the forthcoming five years to utilise such tax losses.

Notes to Financial Statements

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13. DIVIDENDS

No dividends have been declared and paid by the Company during the year ended 31 December 2021.

14. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue (excluding treasury shares reserved under the restricted share units scheme) during each reporting period.

No adjustment has been made to the basic loss per share amounts presented for the reporting period in respect of a dilution as the impact of the preferred shares before being converted to ordinary share in July 2021, and restricted share units had an anti-dilutive effect on the basic loss per share amounts presented.

The calculation of the basic and diluted loss per share attributable to ordinary equity holders of the parent is based on the following data:

	2021	2020
Loss for the year		
Loss for the year attributable to ordinary equity holders of the parent (RMB'000)	**(3,887,309)**	(818,583)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share (note)	**160,849,076**	67,098,209
Loss per share (basic and diluted)		
RMB per share	**(24.17)**	(12.20)

Note: Upon completion of the IPO on 8 July 2021, all preferred shares were automatically converted into ordinary shares.

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15. PROPERTY, PLANT AND EQUIPMENT

	Machinery *RMB'000*	Office equipment and others *RMB'000*	Motor vehicles *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2021						
At 1 January 2021:						
Cost	**76,848**	**3,307**	**1,988**	**42,684**	**181**	**125,008**
Accumulated depreciation	**(12,559)**	**(917)**	**(365)**	**(10,175)**	**–**	**(24,016)**
Net carrying amount	**64,289**	**2,390**	**1,623**	**32,509**	**181**	**100,992**
At 1 January 2021, net of accumulated depreciation	**64,289**	**2,390**	**1,623**	**32,509**	**181**	**100,992**
Transfer	**4,980**	**–**	**–**	**(930)**	**(4,050)**	**–**
Additions	**21,245**	**1,972**	**1,494**	**1,731**	**25,494**	**51,936**
Disposals	**(665)**	**(40)**	**–**	**–**	**–**	**(705)**
Depreciation provided during the year (note 9)	**(9,080)**	**(456)**	**(211)**	**(3,057)**	**-**	**(12,804)**
At 31 December 2021, net of accumulated depreciation	**80,769**	**3,866**	**2,906**	**30,253**	**21,625**	**139,419**
At 31 December 2021:						
Cost	**102,000**	**5,162**	**3,482**	**42,446**	**21,625**	**174,715**
Accumulated depreciation	**(21,231)**	**(1,296)**	**(576)**	**(12,193)**	**–**	**(35,296)**
Net carrying amount	**80,769**	**3,866**	**2,906**	**30,253**	**21,625**	**139,419**

Notes to Financial Statements

31 December 2021

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Machinery *RMB'000*	Office equipment and others *RMB'000*	Motor vehicles *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2020						
At 1 January 2020:						
Cost	63,828	2,775	1,372	38,073	539	106,587
Accumulated depreciation	(5,637)	(488)	(203)	(3,794)	–	(10,122)
Net carrying amount	58,191	2,287	1,169	34,279	539	96,465
At 1 January 2020, net of accumulated depreciation	58,191	2,287	1,169	34,279	539	96,465
Transferred in from construction in progress	–	–	–	4,611	(4,611)	–
Additions	13,020	532	616	–	4,253	18,421
Depreciation provided during the year (note 9)	(6,922)	(429)	(162)	(6,381)	–	(13,894)
At 31 December 2020, net of accumulated depreciation	64,289	2,390	1,623	32,509	181	100,992
At 31 December 2020:						
Cost	76,848	3,307	1,988	42,684	181	125,008
Accumulated depreciation	(12,559)	(917)	(365)	(10,175)	–	(24,016)
Net carrying amount	64,289	2,390	1,623	32,509	181	100,992

Notes to Financial Statements

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16. LEASES

The Group as a lessee

The Group has lease contracts for several buildings used as its office and laboratory. The movements in the carrying amount of right-of-use assets and lease liabilities during the year ended 31 December 2021 are as follows:

(a) Right-of-use assets

	Office and laboratory	
	2021	2020
	RMB'000	*RMB'000*
As at 1 January	**23,823**	28,902
Additions	**23,825**	–
Lease modification	**(1,399)**	–
Depreciation charge (note 9)	**(8,138)**	(5,079)
As at 31 December	**38,111**	23,823

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year ended 31 December 2021 are as follows:

	Office and laboratory	
	2021	2020
	RMB'000	*RMB'000*
Carrying amount at 1 January	**24,492**	28,701
New leases	**23,825**	–
Accretion of interest recognised during the year	**1,475**	1,255
Lease modification	**(1,399)**	–
Lease payments	**(9,684)**	(5,464)
Carrying amount at 31 December	**38,709**	24,492
Analysed into:		
Current portion	**11,724**	4,178
Non-current portion	**26,985**	20,314
	38,709	24,492

The maturity analysis of lease liabilities is disclosed in note 37 to the financial statements.

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16. LEASES (Continued)

The Group as a lessee (Continued)

(c) The amounts recognised in profit or loss in relation to leases are follows:

	2021 ***RMB'000***	2020 *RMB'000*
Interest on lease liabilities	**1,475**	1,255
Depreciation charge on right-of-use assets	**8,138**	5,079
Expense relating to short-term and low-value leases	**2,486**	1,808
Total amount recognised in profit or loss	**12,099**	8,142

The total cash outflow for leases included in the consolidated statement of cash flows is disclosed in note 32(c) to the financial statements.

17. OTHER INTANGIBLE ASSETS

	Computer software ***RMB'000***
31 December 2021	
Cost at 1 January 2021, net of accumulated amortisation	**109**
Additions	**1,072**
Amortisation provided during the year (note 9)	**(77)**
At 31 December 2021	**1,104**
At 31 December 2021:	
Cost	**1,200**
Accumulated amortisation	**(96)**
Net carrying amount	**1,104**
31 December 2020	
At 1 January 2020	–
Additions	128
Amortisation provided during the year	(19)
At 31 December 2020	109
At 31 December 2020:	
Cost	128
Amortisation provided during the year	(19)
Net carrying amount	109

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18. INVESTMENT IN A JOINT VENTURE

	2021 RMB'000	2020 RMB'000
Costs of investment in a joint venture	**21,000**	–
Share of losses of a joint venture	**(719)**	–
	20,281	–

The joint venture is indirectly held by the Company and is accounted for using the equity method in the consolidated financial statements.

Particulars of the Group's joint venture is as follows:

Name	Place of Registration and business	Percentage Ownership interest	Percentage Voting power	Percentage Profit sharing	Principle activity
Beijing Tiannuo Pharma Tech Co., Ltd. ("Tiannuo Pharma")	Mainland China	50%	50%	50%	Clinical research

The following table illustrates the aggregate financial information of the joint venture that is not individually material to the consolidated financial statements of the Group:

	2021 RMB'000	2020 RMB'000
Share of a joint venture's loss for the year	**(719)**	–
Share of a joint venture's total comprehensive loss for the year	**(719)**	–
Aggregate carrying amount of the Group's investment in a joint venture	**20,281**	–

19. INVENTORIES

	2021 RMB'000	2020 RMB'000
Raw materials	**15,294**	6,330
Contract costs	**1,099**	516
	16,393	6,846

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20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2021 RMB'000	2020 RMB'000
Non-current:		
Value-added tax recoverable (note (i))	**19,582**	20,378
Prepayments for property, plant and equipment	**128,951**	1,332
Other receivables (note (ii))		
– Rental deposits	**2,193**	1,451
– Advances to employees	**2,865**	943
	153,591	24,104
Current:		
Prepayments		
– Prepaid research and development expenses	**16,270**	12,396
– Prepaid raw materials	**6,033**	4,483
– Others	**2,109**	1,422
Other receivables		
– Receivable for CDM service income (note (iii))	**6,570**	–
– Advances to employees (note (ii))	**2,357**	387
– Rental deposits (note (ii))	**2,938**	459
– Other receivables (note (ii))	**720**	842
	36,997	19,989

Note (i): Value-added tax recoverable is non-current in nature since the Group believes that no value-added tax deductible revenue will be generated within the next 12 months.

Note (ii): The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Long ageing balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its prepayments and other receivable balances.

Note (iii): The CDM service receivable is from a customer for the providing of CDM services. The credit period is 90 days. As at 31 December 2021, the aging of such receivable is within one month. Overdue balances are reviewed regularly by senior management.

The balances are interest-free, unsecured and repayable on demand.

Other receivables had no historical default. The financial assets included in the above balances relate to receivables which were categorised in Stage 1 and simplified approach respectively at 31 December 2021. Further details are set out in note 37. In calculating the expected credit loss rate, the Group considers the historical loss rate and adjusts for forward-looking macroeconomic data. During the year ended 31 December 2021, the Group estimated that the expected credit loss rate for other receivables was minimal.

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21. OTHER INVESTMENTS CLASSIFIED AS FINANCIAL ASSETS AT FVTPL

	2021 RMB'000	2020 RMB'000
Wealth management products	**53,401**	10,394

The investments measured at FVTPL are wealth management products, denominated in RMB, with expected yield rates ranging from 2.05% to 3.45% per annum. The above wealth management products were issued by banks in Mainland China. The principals and yields on all of these wealth management products are not guaranteed, and hence their contractual cash flows do not qualify for solely payments of principal and interest.

The fair values are based on cash flows discounted using the expected yield rate and are within Level 2 of the fair value hierarchy.

22. CASH AND CASH EQUIVALENTS AND TIME DEPOSITS

	2021 RMB'000	2020 RMB'000
Cash and bank balances	**981,080**	199,409
Time deposits with maturity dates within three months	**539,539**	–
Cash and cash equivalents	**1,520,619**	199,409
Time deposits with maturity dates over three months	**1,950,559**	144,279
	3,471,178	343,688
Denominated in		
RMB	**140,791**	25,582
USD	**836,935**	318,106
HKD	**2,493,452**	–
	3,471,178	343,688

Cash and cash equivalents earn interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The time deposits presented above are placed with banks in Mainland China and Hong Kong with interest rates ranging from 0.25% to 1.30% and have maturity dates within one year.

RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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23. TRADE PAYABLES

An analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2021	2020
	RMB'000	*RMB'000*
Within 3 months	**271**	2,716
3 to 6 months	**1,958**	173
6 months to 1 year	**392**	209
Over 1 year	**163**	320
	2,784	3,418

Trade payables are not interest-bearing and unsecured.

24. OTHER PAYABLES AND ACCRUALS

	2021	2020
	RMB'000	*RMB'000*
Payroll payable	**29,118**	11,088
Accrued research and development expenses	**18,630**	4,222
Accrued professional fee	**2,180**	–
Other tax payables	**935**	161
Other payables:		
Accrued listing expenses (note 32(b))	**30,513**	350
Payables for property, plant and equipment	**10,971**	3,202
Others	**3,055**	375
	95,402	19,398

Other payables and accruals are not interest-bearing and repayable on demand. The carrying amounts of financial liabilities included in other payables as at the end of each reporting period approximated to their fair values due to their short-term maturities.

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25. DEFERRED INCOME

	2021 RMB'000	2020 RMB'000
Government grants:		
Non-current	**8,719**	6,786
Current	**1,612**	2,873
	10,331	9,659

The movements in deferred income during the year ended 31 December 2021 are as follows:

	2021 RMB'000	2020 RMB'000
At beginning of the year	**9,659**	3,027
Grants received during the year	**3,906**	9,300
Amounts released to profit or loss during the year (note 6)	**(3,234)**	(2,668)
At end of the year	**10,331**	9,659

The grants were related to the subsidies received from local government authorities to support the Group's research and development activities under certain conditions to be fulfilled. The grants were recognised in profit or loss when relevant conditions are met.

26. CONTRACT LIABILITIES

	2021 RMB'000	2020 RMB'000
Contract liabilities	**–**	8,000

Note: The Group received RMB8 million upfront fee from InnoCare under the InnoCare Agreement in 2020 and was subsequently recognized as collaboration revenue in 2021. Further details of the transaction are set out in note 5.

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27. CONVERTIBLE REDEEMABLE PREFERRED SHARES

From 2018 to 2020, the Company issued 94,687,168 series Pre-A convertible preferred shares, series A and B convertible redeemable preferred shares (the "Series Pre-A Preferred Shares", the "Series A Preferred Shares" and the "Series B Preferred Shares", respectively). In February 2021, the Company issued 35,422,353 series C convertible redeemable preferred shares with par value of USD0.0001 per share (the "Series C Preferred Shares") to a group of investors for an aggregate cash consideration of USD130,000,000 (equivalent to RMB842,111,000) or USD3.6700 per share (the "Series C Preferred Share Purchase Price").

In February 2021, the Company repurchased 2,452,317 shares of Series Pre-A Preferred Shares from Vast Equity Holdings Limited at a total purchase price of USD9,000,000 (equivalent to RMB58,154,000)

With the successful issuance of series C convertible redeemable preferred shares on 10 February 2021, the Company has 23,306,574 Series Pre-A Preferred Shares, 32,000,000 Series A Preferred Shares, 36,928,277 Series B Preferred Shares and 35,422,353 Series C Preferred Shares (collectively referred as the "Preferred Shares").

As of 31 December 2021, all Preferred Shares were automatically converted to ordinary shares of the Company on a 1:1 basis upon the completion of the IPO on 8 July 2021, and the then fair value of financial liabilities of RMB5,667,363,000 had been reclassified to equity accordingly. Hence, the fair value of the convertible redeemable preferred shares is nil as at 31 December 2021.

27. CONVERTIBLE REDEEMABLE PREFERRED SHARES (Continued)

The movements of convertible redeemable preferred shares are set out below:

	Series Pre-A Preferred Shares		Series A Preferred Shares		Series B Preferred Shares		Series C Preferred Shares		Total
	Number of shares	*RMB'000*	Number of shares	*RMB'000*	Number of shares	*RMB'000*	Number of shares	*RMB'000*	*RMB'000*
As at 1 January 2020	15,044,618	93,797	32,000,000	230,661	36,615,855	408,805	–	–	733,263
Issue	–	–	–	–	312,422	3,475	–	–	3,475
Foreign exchange gains (note)	–	(6,068)	–	(14,922)	–	(26,446)	–	–	(47,436)
Changes in fair value	–	121,668	–	266,837	–	307,965	–	–	696,470
As at 31 December 2020 and 1 January 2021	15,044,618	209,397	32,000,000	482,576	36,928,277	693,799	–	–	1,385,772
Issue	**10,714,273**	**30,000**	**–**	**–**	**–**	**–**	**35,422,353**	**842,111**	**872,111**
Redemption	**(2,452,317)**	**(58,154)**	**–**	**–**	**–**	**–**	**–**	**–**	**(58,154)**
Foreign exchange gains (note)	**–**	**(1,817)**	**–**	**(4,023)**	**–**	**(5,784)**	**–**	**(1,036)**	**(12,660)**
Changes in fair value	**–**	**855,273**	**–**	**942,093**	**–**	**951,422**	**–**	**731,506**	**3,480,294**
Conversion of redeemable convertible preferred shares into ordinary shares upon IPO	**(23,306,574)**	**(1,034,699)**	**(32,000,000)**	**(1,420,646)**	**(36,928,277)**	**(1,639,437)**	**(35,422,353)**	**(1,572,581)**	**(5,667,363)**
As at 31 December 2021	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

Note: the foreign exchange gains on fair value changes of convertible redeemable preferred shares were charged to foreign exchange gains for the year ended 31 December 2021.

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28. OTHER FINANCIAL LIABILITIES

In July 2019, Chengdu Kangnuo Xing (the "Domestic Subsidiary"), a subsidiary of the Group, entered into an investment agreement (the "Hi-tech Investment Agreement") with Chengdu Hi-tech New Economy Venture Capital Co., Ltd. 成都高新新經濟創業投資有限公司 ("Hi-tech"). Pursuant to the Hi-tech Investment Agreement, Hi-tech subscribed 16.6667% interests of the Domestic Subsidiary for a cash consideration of RMB100,000,000 (the "Hi-tech Investment Principal").

In March 2020, the Domestic Subsidiary entered into an investment agreement (the "Bio-town Investment Agreement") with Chengdu Bio-town Equity Investment Co., Ltd. 成都生物城股權投資有限公司 ("Bio-town"). Pursuant to the Bio-town Investment Agreement, Bio-town subscribed 2.4390% interests of the Domestic Subsidiary for a cash consideration of RMB15,000,000 (the "Hi-tech Investment Principal").

The key terms of the Hi-tech Investment Agreement and Bio-town Investment Agreement are as follows:

At the request of Hi-tech Investment and Bio-town Investment (collectively the "Onshore Investors"), the Domestic Subsidiary shall repurchase all or a portion of their outstanding ownership from time to time on or upon, amongst others, the fifth anniversary of the Closing with a repurchase price being the higher of:

(1) the corresponding equity value of the Domestic Subsidiary evaluated by a third-party valuer at the time of triggering the repurchase obligation; or

(2) 100% of the principals plus interest accrued at the rate of eight percentage (simple interest) of the principals per annum starting from the principal receiving date (the "Closing") to the repurchase price payment date by the Domestic Subsidiary.

Under the Hi-tech Investment Agreement, the Domestic subsidiary was given a call option to repurchase at least 2/3 of the ownership held by Hi-tech in tranches within three years after the Closing. The redemption price is determined to be the Hi-tech Investment Principal plus an 8% annual simple interest rate commencing from the payment date of Hi-tech Investment Principal to the date of repurchase.

Liquidation preferences

In an event of any liquidation, all assets and funds of the Domestic Subsidiary legally available for distribution to the shareholders of the Domestic Subsidiary shall, by reason of the shareholders' ownership of the shares, be distributed as follows:

(1) Prior to and in preference to any distribution of any of the assets of the Domestic Subsidiary to other shareholders of the Domestic Subsidiary, the Onshore Investors shall be entitled to receive an amount equal to 100% of the Principal, plus a simple annual interest of 8% (the "Preference Amount");

(2) Upon receiving the Preference Amount by the Onshore Investors, the residual assets and funds could be allocated among other shareholders of the Domestic Subsidiary based on their percentage of paid-in and additional paid-in capital.

Notes to Financial Statements

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28. OTHER FINANCIAL LIABILITIES (Continued)

Liquidation preferences (Continued)

Under current IFRSs, when the call or put option is granted, the instrument is regarded as a debt and the Group is required to record a financial liability which is to be measured at the present value of the exercise price. The financial liability is subsequently measured in accordance with IFRS 9.

The directors initially have estimated that the potential exercise price would be RMB100,000,000 and RMB15,000,000, based on the present value of the exercise price as of the date of the agreement. Subsequently, the Group has recorded finance costs of RMB9,658,000 associated with the changes in the present value of the exercise price in profits or loss for the years ended 31 December 2021 (2020: RMB12,814,000). The balance of other financial liabilities was RMB141,294,000 as at 31 December 2021 (2020: RMB131,636,000).

29. SHARE CAPITAL

Authorised:

	Number of shares authorised	
	2021	2020
Ordinary Shares of USD0.0001 each	**500,000,000**	405,312,832
Series Pre-A Preferred Shares of USD0.0001 each	–	25,758,891
Series A Preferred Shares of USD0.0001 each	–	32,000,000
Series B Preferred Shares of USD0.0001 each	–	36,928,277
	500,000,000	500,000,000

Issued and fully paid:

	Number of shares in issue	Share capital	
		USD'000	***RMB'000***
Ordinary shares of USD0.0001 each	279,735,566	27	171

Note: Among these 279,735,566 issued ordinary shares, 17,976,153 shares reserved under the restricted share units scheme remained unpaid as of 31 December 2021.

Notes to Financial Statements

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29. SHARE CAPITAL (Continued)

Issued and fully paid: (Continued)

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital *USD'000*	*RMB'000*
As at 1 January 2020 and 31 December 2020	67,098,209	7	45
Treasury shares held in trust	17,976,153	–	–
Conversion of redeemable convertible preferred shares into ordinary shares upon IPO	127,657,204	13	83
Issue of ordinary shares upon IPO and exercise of over-allotment option	67,004,000	7	43
As at 31 December 2021	279,735,566	27	171

Note: Upon the Company's completion of IPO in July 2021, (i) all Preferred Shares were automatically converted into ordinary shares of the Company; and (ii) a total of 67,004,000 ordinary shares were issued upon the IPO and exercise of the over-allotment option.

30. SHARE-BASED PAYMENTS

Restricted Share Units ("RSUs") Scheme

Pursuant to a written shareholders' resolution of the Company passed on 5 April 2021, a Restricted Share Unit Scheme ("RSU Scheme") has been approved for the purpose of providing incentives to eligible participants who contribute to the success of the Group's operation. 17,976,153 shares of the Company were authorised and approved under the Scheme. The number of RSUs, grant date, and vesting period are determined at the discretion of the Company's board of directors. The Scheme shall be valid and effective for a period of ten years commencing on the listing date. As at 31 December 2021, a total of 5,119,984 RSUs were granted to eligible employees.

The RSUs have vesting terms of 4 years from the grant date. The RSUs shall be vested according to the vesting schedule: 25% of the total number of RSUs shall be vested on the first anniversary of the grant date and the remaining 75% of the total number of RSUs shall be vested in three substantially equal annual instalments, with the first instalment vested on the second anniversary of the grant date, and then on up to the fourth anniversary of the grant date.

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30. SHARE-BASED PAYMENTS (Continued)

Restricted Share Units ("RSUs") Scheme (Continued)

The following RSUs were outstanding during the year ended 31 December 2021:

	Number of RSUs
At 1 January 2021	–
Granted during the year	**5,212,167**
Forfeited during the year	**(92,183)**
At 31 December 2021	**5,119,984**

The vesting periods and fair value of the RSUs outstanding as at 31 December 2021 are as follows:

As at 31 December 2021

	Number of RSUs outstanding	Vesting period	Fair value at grant date *RMB per share*
Batch 1	**4,446,014**	**4 years**	**14.65**
Batch 2	**673,970**	**4 years**	**28.42 – 43.03**
	5,119,984		

The fair values of RSUs as at the grant date for Batch 1 and Batch 2 were determined based on the fair value of ordinary shares on the grant date. Major inputs used for the determination of the fair value of ordinary shares are listed as follows:

	Batch 1	Batch 2
Expected volatility (%)	**88.16%**	**N/A**
Risk-free interest rate (%)	**0.30%**	**N/A**
Discount for lack of marketability ("DLOM")	**27%**	**N/A**

The fair values of RSUs for Batch 2 was the closing price of stock price at the grant date, and hence no inputs were applicable.

The Group recognised share-based payments expenses of RMB25,362,000 under the RSU Scheme for the year ended 31 December 2021 (2020: Nil).

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30. SHARE-BASED PAYMENTS (Continued)

Share Option Plan for Dr. Qian Jia

On 18 March 2021, Dr. Bo Chen, Dr. Qian Jia and Moonshot Holdings Limited entered into an agreement, pursuant to which Dr. Bo Chen granted Dr. Qian Jia an option to purchase up to 802 ordinary shares of Moonshot Holdings Limited held by Dr. Bo Chen (representing approximately 2.93% of the ordinary shares of the Company) for nil consideration, for the purpose of providing incentive to Dr. Qian Jia.

As at 31 December 2021, the option was fully exercised by Dr. Qian Jia.

Under this share option plan, the Group recognised share-based payments expenses of RMB91,461,000 for the year ended 31 December 2021 (2020: Nil), based on the estimated fair value of ordinary shares of the Company on the grant date using the back-solve method.

31. RESERVES

The Group

The amounts of the Group's deficits and the movements therein for the year ended 31 December 2021 are presented in the consolidated statement of changes in equity on page 91 of the consolidated financial statements.

Share premium

The share premium of the Group represents: 1) conversion of redeemable convertible preferred shares into ordinary shares upon IPO, and 2) the issue of ordinary shares upon IPO and exercise of over-allotment option.

Share-based payments reserve

The share-based payments reserve of the Group represents the share-based payments reserve in respect of equity-settled share awards.

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32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets of RMB23,825,000 and non-cash additions to lease liabilities of RMB23,825,000, in respect of lease arrangements for office and laboratory premises.

(b) Changes in 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.

	Convertible redeemable preferred shares *RMB'000*	Other financial liabilities *RMB'000*	Lease liabilities *RMB'000*	Accrued listing expenses included in other payables *RMB'000*	Amounts due to related parties *RMB'000*
At 1 January 2020	733,263	103,822	28,701	–	47,747
Changes from financing cash flows	3,475	15,000	(5,464)	–	(5,614)
Foreign exchange gains	(47,436)	–	–	–	–
Increase in listing expenses	–	–	–	280	–
Increase in deferred listing expenses	–	–	–	70	–
Changes in fair value	696,470	–	–	–	–
Accretion of interest	–	12,814	1,255	–	240
At 31 December 2020 and 1 January 2021	1,385,772	131,636	24,492	350	42,373
Changes from financing cash flows	**813,957**	**–**	**(9,684)**	**(8,497)**	**(41,820)**
Increase in listing expenses	**–**	**–**	**–**	**–**	**–**
Increase in deferred listing expenses	**–**	**–**	**–**	**8,147**	**–**
Increase in transaction costs from IPO and over-allotment	**–**	**–**	**–**	**30,513**	**–**
Foreign exchange gains	**(12,660)**	**–**	**–**	**–**	**–**
Changes in fair value	**3,480,294**	**–**	**–**	**–**	**–**
Conversion of Preferred Shares into ordinary shares upon IPO	**(5,667,363)**	**–**	**–**	**–**	**–**
New leases	**–**	**–**	**22,426**	**–**	**–**
Accretion of interest	**–**	**9,658**	**1,475**	**–**	**–**
At 31 December 2021	**–**	**141,294**	**38,709**	**30,513**	**553**

Notes to Financial Statements

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32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2021 ***RMB'000***	2020 *RMB'000*
Within operating activities	**2,486**	1,808
Within financing activities	**12,905**	5,646
	15,391	7,454

33. COMMITMENTS

The Group had the following capital commitments as at 31 December 2021:

	2021 ***RMB'000***	2020 *RMB'000*
Contracted, but not provided for:		
Purchase of property, plant and equipment	**254,345**	1,970

34. RELATED PARTY TRANSACTIONS

The Directors are of the opinion that the following companies are related parties that had material transactions or balances with the Group during the year ended 31 December 2021.

(a) Name and relationships of the related parties

Name	**Relationship**
I CARE Investment Chengdu Co., Ltd. 毅新康諾(成都)企業管理中心(有限合夥) ("I CARE")	Controlled by Dr. Bo Chen
Dr. Bo Chen	Chairman, chief executive, and director
Dr. Gang Xu	Director
Dr. Qian Jia	Key management personnel

(b) Transactions with a related party

	2021 ***RMB'000***	2020 *RMB'000*
Interest expenses		
I CARE	**–**	240

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34. RELATED PARTY TRANSACTIONS (Continued)

(c) Outstanding balances with related parties:

	2021 ***RMB'000***	2020 *RMB'000*
Amounts due to related parties – non-trade		
Dr. Qian Jia	**550**	–
Dr. Gang Xu	**3**	–
I CARE (note (a))	**–**	40,873
Dr. Bo Chen (note (b))	**–**	1,500
	553	42,373

Note (a): The Group had fully repaid the principal and interest of the borrowings from I CARE in 2021.

Note (b): Chengdu Keymed received a talent subsidy of RMB1,500,000 in total from the local government on behalf of Dr. Bo Chen, which was fully refund by the Group in 2021.

(d) Compensation of key management personnel of the Group:

	2021 ***RMB'000***	2020 *RMB'000*
Salaries, bonuses, allowances and benefits in kind	**12,035**	5,635
Pension scheme contributions	**141**	85
Share-based payments	**97,550**	–
	109,726	5,720

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35. FINANCIAL INSTRUMENTS BY CATEGORY

Further details of directors' and the chief executive's remuneration are included in note 10 to the financial statements.

The carrying amounts of each of the categories of financial instruments as at the end of each reporting period are as follows:

Financial assets

	2020		
	Financial assets at amortised cost *RMB'000*	Financial assets at fair value through profit or loss *RMB'000*	Total *RMB'000*
Financial assets included in prepayments, other receivables and other assets	4,082	–	4,082
Other investments classified as financial assets at FVTPL	–	10,394	10,394
Time deposits	144,279	–	144,279
Cash and cash equivalents	199,409	–	199,409
	347,770	10,394	358,164

	2021		
	Financial assets at amortised cost *RMB'000*	**Financial assets at fair value through profit or loss *RMB'000***	**Total *RMB'000***
Financial assets included in prepayments, other receivables and other assets	**17,643**	**–**	**17,643**
Other investments classified as financial assets at FVTPL	**–**	**53,401**	**53,401**
Contract assets	**3,980**	**–**	**3,980**
Time deposits	**1,950,559**	**–**	**1,950,559**
Cash and cash equivalents	**1,520,619**	**–**	**1,520,619**
	3,492,801	**53,401**	**3,546,202**

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35. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Financial liabilities

	2020		
	Financial liabilities at amortised cost *RMB'000*	Financial liabilities at fair value through profit or loss *RMB'000*	Total *RMB'000*
Trade payables	3,418	–	3,418
Financial liabilities included in other payables and accruals	3,927	–	3,927
Amounts due to related parties	42,373	–	42,373
Convertible redeemable preferred shares	–	1,385,772	1,385,772
Other financial liabilities	131,636	–	131,636
	181,354	1,385,772	1,567,126

	2021		
	Financial liabilities at amortised cost *RMB'000*	**Financial liabilities at fair value through profit or loss *RMB'000***	**Total *RMB'000***
Trade payables	**2,784**	**–**	**2,784**
Financial liabilities included in other payables and accruals	**44,539**	**–**	**44,539**
Amounts due to related parties	**553**	**–**	**553**
Other financial liabilities	**141,294**	**–**	**141,294**
	189,170	**–**	**189,170**

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36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, time deposits, financial assets included in prepayments, other receivables and other assets, trade payables, financial liabilities included in other payables and accruals and other financial liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the Chief Finance Officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the Chief Finance Officer at 2020 and 2021. The finance department analyses the movements in the value of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the finance manager. The valuation process and results are discussed with the directors of the Company once a year for annual financial reporting.

Fair value hierarchy

Financial assets

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Financial assets at FVTPL:

2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Other investments classified as financial assets at FVTPL	–	10,394	–	10,394

2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	**Significant observable inputs (Level 2) *RMB'000***	**Significant unobservable inputs (Level 3) *RMB'000***	**Total *RMB'000***
Other investments classified as financial assets at FVTPL	**–**	**53,401**	**–**	**53,401**

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36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Financial liabilities at FVTPL:

2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Convertible redeemable preferred shares	–	–	1,385,772	1,385,772

Financial instruments in Level 3

Further details of the convertible redeemable preferred shares are included in note 27 to the financial statements.

During the year ended 31 December 2021, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly comprise cash and cash equivalents, time deposits, other investments classified as financial assets at FVTPL, amounts due to related parties, convertible redeemable preferred shares, and other financial liabilities. The main purpose of these financial instruments is to raise fund for the Group's operations. The Group has various other financial assets and liabilities such as financial assets included in prepayments, other receivables and other assets, amounts due from related parties, trade payables, and other payables and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below.

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates.

The Group's financial assets and liabilities are subject to foreign currency risk as a result of certain cash and cash equivalents and time deposits, and other payables and accruals denominated in non-functional currency. Therefore, the fluctuations in the exchange rate of functional currency against non-functional currency could affect the Group's results of operations. The Group does not enter into any hedging transactions to manage the potential fluctuation in foreign currency.

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37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk (Continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's loss before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) in rate of foreign exchange *%*	Decrease/ (increase) in loss before tax *RMB'000*	Increase/ (decrease) in equity *RMB'000*
31 December 2020			
If RMB weakens against USD	5	(53,383)	53,383
If RMB strengthens against USD	(5)	53,383	(53,383)
31 December 2021			
If RMB weakens against USD	**5**	**(41,795)**	**41,795**
If RMB strengthens against USD	**(5)**	**41,795**	**(41,795)**
If RMB weakens against HKD	**5**	**(124,562)**	**124,562**
If RMB strengthens against HKD	**(5)**	**124,562**	**(124,562)**

Credit risk

Credit risk is the risk that a counterparty will default on contractual obligations resulting in financial loss to the Group.

The credit risk of the Group's financial assets, which primarily comprise cash and cash equivalents, time deposits, other investments classified as at FVTPL, and financial assets included in prepayments, other receivables and other assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

For financial assets included in prepayments, other receivables and other assets, management makes periodic collective assessment as well as individual assessment on the recoverability of such assets based on historical settlement records and past experience. The Directors believe that there is no material credit risk inherent in the Group's outstanding balances.

As at the end of the reporting period, cash and cash equivalents were deposited in reputable financial institutions without significant credit risk. Other investments at FVTPL were obtained through reputable financial institutions without significant credit risk.

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37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

	As at 31 December 2020				
	12-Month ECLs	Lifetime ECLs			
	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Simplified approach *RMB'000*	Total *RMB'000*
Time deposit	144,279	–	–	–	144,279
Cash and cash equivalents	199,409	–	–	–	199,409
Financial assets included in prepayments, other receivables and other assets (note (ii))	4,082	–	–	–	4,082
	347,770	–	–	–	347,770

	As at 31 December 2021				
	12-Month ECLs	**Lifetime ECLs**			
	Stage 1 ***RMB'000***	**Stage 2** ***RMB'000***	**Stage 3** ***RMB'000***	**Simplified approach** ***RMB'000***	**Total** ***RMB'000***
Time deposit	**1,950,559**	**–**	**–**	**–**	**1,950,559**
Cash and cash equivalents	**1,520,619**	**–**	**–**	**–**	**1,520,619**
Contract assets (note (i))	**–**	**–**	**–**	**3,980**	**3,980**
Financial assets included in prepayments, other receivables and other assets (note (ii))	**11,073**	**–**	**–**	**6,570**	**17,643**
	3,482,251	**–**	**–**	**10,550**	**3,492,801**

Notes to Financial Statements

31 December 2021

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

***Maximum exposure and year-end staging** (Continued)*

Note (i): Contract assets are initially recognised for revenue generated from contract development and manufacturing services as the receipt of consideration is conditional on successful completion payment milestones. Upon completion of contract development and manufacturing payment milestones and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables illustrated in note(i) above as the contract assets and the trade receivables are from the same customer bases.

Note (ii): Financial assets included in prepayments, other receivables and other assets include receivables related to CDM services to which the Group applies the simplified approach for impairment, the Group uses a provision matrix to reflect the credit risk exposure of such receivables. The expected credit loss rate of such receivables is determined to be 0.2% for trade receivables within the credit period.

The credit quality of other financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. During the reporting periods, the Group estimated that the expected credit loss for financial assets included in prepayments, other receivables and other assets was minimal.

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2020			
	On demand or within one year *RMB'000*	One to five years *RMB'000*	Over five years *RMB'000*	Total *RMB'000*
Trade payables	3,098	320	–	3,418
Financial liabilities included in other payables and accruals	3,927	–	–	3,927
Lease liabilities	5,197	16,656	6,120	27,973
Amounts due to related parties	42,373	–	–	42,373
Convertible redeemable preferred shares (note 27)	–	662,133	–	662,133
Other financial liabilities (note 28)	–	131,636	–	131,636

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37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

	2021			
	On demand or within one year *RMB'000*	One to five years *RMB'000*	Over five years *RMB'000*	Total *RMB'000*
Trade payables	**2,621**	**163**	**–**	**2,784**
Financial liabilities included in other payables and accruals	**44,426**	**113**	**–**	**44,539**
Lease liabilities	**14,254**	**28,359**	**1,029**	**43,642**
Amounts due to related parties	**553**	**–**	**–**	**553**
Other financial liabilities (note 28)	**–**	**141,294**	**–**	**141,294**

Note: The amount represents the contractual amount to be exchanged for the convertible redeemable preferred shares and other financial liabilities for which gross cash flows are exchanged.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital as at the end of the reporting period.

38. EVENTS AFTER THE REPORTING PERIOD

2022 restricted share unit scheme

On 21 January 2022, the Board of Directors approved the 2022 Restricted Share Unit Scheme (the "2022 RSU Scheme"). The shares in the share pool under the 2022 RSU Scheme will be purchased from the secondary market. The aggregated amount of shares to be purchased shall not exceed 2% of the Company's total issued share capital as at 21 January 2022 (being no more than 5,594,711 shares). The shares acquired for the share pool will be funded form the Company's internal resources.

As at the date of this report, no RSUs has been granted under the 2022 RSU Scheme.

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39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**636,335**	200,688
Amounts due from subsidiaries	**617,538**	272,139
Total non-current assets	**1,253,873**	472,827
CURRENT ASSETS		
Prepayments, other receivables and other assets	**–**	70
Time deposits	**1,950,559**	144,279
Cash and cash equivalents	**1,239,984**	136,570
Total current assets	**3,190,543**	280,919
CURRENT LIABILITY		
Other payables and accruals	**41,890**	510
Total current liability	**41,890**	510
NET CURRENT ASSETS	**3,148,653**	280,409
TOTAL ASSETS LESS CURRENT LIABILITIES	**4,402,526**	753,236
NON-CURRENT LIABILITY		
Convertible redeemable preferred shares	**–**	1,385,772
Total non-current liabilities	**–**	1,385,772
NET ASSETS/(LIABILITIES)	**4,402,526**	(632,536)
EQUITY		
Share capital	**171**	45
Reserves/(deficits)	**4,402,355**	(632,581)
TOTAL EQUITY/(DEFICITS)	**4,402,526**	(632,536)

Bo Chen
Director

Changyu Wang
Director

Notes to Financial Statements

31 December 2021

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

The balances of the Company's (deficits)/reserves and the movements therein for the year ended 31 December 2021 are presented as follows:

	(Deficits)/Reserves *RMB'000*
At 1 January 2020	**54,478**
Total comprehensive loss for the year	**(687,059)**
At 31 December 2020 and 1 January 2021	**(632,581)**
Total comprehensive loss for the year	**(3,597,755)**
Share-based payments	**116,823**
Conversion of Preferred Shares into ordinary shares upon IPO (note 27)	**5,667,280**
Issue of ordinary shares upon IPO and exercise of over-allotment option	**2,973,875**
Transaction costs attributable to issuance of new shares	**(125,287)**
At 31 December 2021	**4,402,355**

The share-based payments reserve of the Company represents the share-based payments reserve in respect of equity-settled share awards.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2022.

Three Year Financial Summary

	As at 31 December		
	2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*
Cash and cash equivalents	**1,520,619**	199,409	432,608
Time deposits	**1,950,559**	144,279	–
Total assets	**3,934,455**	529,945	658,578
Total liabilities	**289,073**	1,624,748	934,533
Total equity/(deficits)	**3,645,382**	(1,094,803)	(275,955)

	For the year ended 31 December		
	2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*
Revenue	**110,269**	–	–
Gross profits	**93,069**	–	–
Other income and gains	**52,667**	41,190	15,645
Research and development expenses	**(358,156)**	(127,400)	(64,812)
Administrative expenses	**(92,454)**	(21,548)	(15,158)
Listing expenses	**(37,932)**	(280)	–
Fair value losses on convertible redeemable preferred shares	**(3,480,294)**	(696,470)	(97,212)
Other expenses	**(57,680)**	(31)	(298)
Finance costs	**(11,133)**	(14,309)	(5,677)
Total comprehensive loss	**(3,892,632)**	(818,848)	(167,512)