康宁杰瑞
ALPHAMAB ONCOLOGY

ALPHAMAB ONCOLOGY
康寧傑瑞生物製藥

(Incorporated in the Cayman Islands with limited liability)
Stock code : 9966

2021 ANNUAL REPORT

Contents

Company Profile

OVERVIEW

We are a leading biopharmaceutical company in China with a fully integrated proprietary biologics platform in bispecific and protein engineering. Our mission is to deliver world-class innovative therapeutic biologics to treat patients globally by applying our unique drug discovery and development capabilities. We believe these capabilities are demonstrated by our strong R&D track record and supported by our proprietary technologies, platforms and expertise.

PIPELINE

Our highly differentiated in-house pipeline consists of tumor monoclonal antibodies, bispecific antibodies, and antibody-drug conjugates in staggered development status, including one approved for marketing by the NMPA, three in late clinical stage, and three that have received IND approval or in schedule for IND submission.

- ***KN046*** – a BsAb immune checkpoint inhibitor simultaneously targeting two clinically-validated immune checkpoints, PD-L1 and CTLA-4, representing a potential breakthrough, next-generation immuno-oncology blockbuster drug. Currently, there are approximately 20 clinical trials of KN046 at different stages covering more than 10 types of tumors including NSCLC, TNBC, ESCC, HCC, PDAC and thymic carcinoma in China, the United States and Australia. The results of the clinical trials have preliminarily shown a favorable safety profile and significant efficacy of KN046 in treatment. Among them, the preliminary results of our phase II clinical trials in China indicate promising efficacy of KN046 as a single therapy and in combination therapy with chemotherapy for the treatment of NSCLC, PDAC and TNBC. We have published preliminary promising safety and efficacy data of KN046 in patients who have failed prior immune checkpoint inhibitors. We have initiated two pivotal clinical trials for NSCLC, a pivotal clinical trial for PDAC and a pivotal trial for thymic carcinoma. We have continued to explore cooperation opportunities to conduct clinical trials of KN046 in combination with our business partners' drug candidates in order to achieve better therapeutic effects. We have adopted a fast/first-to-market approach on selecting indications and we plan to submit the first NDA for KN046 in China in the middle of 2022.

- ***KN026*** – a next-generation anti-HER2 BsAb that can simultaneously bind two distinct clinically-validated epitopes of HER2, resulting in potentially superior efficacy. Currently, several phase I/II clinical trials of KN026 are being conducted in China and a phase I clinical trial is being conducted in the United States. We are conducting phase II clinical trials in China for neoadjuvant and first-line HER2-positive breast cancer (KN026 in combination with Docetaxel), late-line HER2-expressing breast and GC/GEJ, as well as a phase I clinical trial in the United States for HER2-positive or HER2-expressing solid tumors, including but not limited to, breast cancer and GC/GEJ. Our phase I/II clinical trials of KN026 in China and the U.S. have shown early efficacy signals and favorable safety profile in the treatment of heavily pre-treated HER2 expressing cancers. We are also conducting a phase II clinical trial of KN026 for HER2-positive solid tumors and some exploratory trials of a combination of KN026 with KN046. The preliminary safety and efficacy results of a phase II clinical trial of KN026 in combination with KN046 in patients with metastatic HER2-positive breast cancer were presented at the SABCS 2021 in December 2021. In August 2021, we cooperated with JMT-Bio and entered into a licensing agreement to develop and commercialize KN026 for the treatment of breast cancer and GC in Mainland China. In January 2022, the phase II clinical trial of KN026 combined with KN046 in the treatment of HER2-positive solid tumors, has successfully completed the enrollment of all patients in China. In January 2022, we obtained an approval from the NMPA for the IND application for a pivotal clinical trial of KN026 combined with chemotherapy, and the first patient was successfully dosed in April 2022.

- ***KN035 (Envafolimab)*** – an innovative anti-tumor immunotherapy drug co-developed by us, 3D Medicines and Simcere, is the world's first and only subcutaneously injectable PD-L1 inhibitor approved for marketing, the first immunotherapy drug aimed at cross-tumor indications and the first PD-L1 produced domestically. It offers advantages in safety, convenience, compliance, access to patients intolerable for intravenous infusion, and lower medical cost. KN035 (Envafolimab) is currently undergoing a phase III pivotal trial in China for biliary track cancer. The pivotal trials for undifferentiated pleomorphic sarcoma and malignant fibrous histiocytoma are ongoing. In 2021, the FDA granted ODD to KN035 (Envafolimab) for the treatment of advanced biliary tract cancer and soft tissue sarcoma, respectively. We officially launched KN035 (Envafolimab) in November 2021 and the first batch of prescriptions for KN035 (Envafolimab) was implemented across China in December 2021.

- ***KN019*** – a CTLA-4-based immunosuppressant fusion protein with potential broad applications in both autoimmune diseases and oncology immunotherapy-induced immune disorders. We have completed patient enrollment in China for phase II trials for RA and initiated a clinical study on the bioavailability of KN019 in the switch from intravenous infusion to subcutaneous administration. We plan to expand to other auto-immune disorders including oncology immunotherapy-induced immune disorder in the future.

- ***KN052*** – an innovative PD-L1/OX40 bispecific antibody independently developed by the Group using its bispecific antibody platform. It can simultaneously bind PD-L1 and OX40, effectively reversing tumor induced immune inhibition by blocking the PD-L1/PD-1 pathway and promoting the immune response by agonizing OX40. On one hand, KN052 prevents the immune escape of tumor cell, on the other hand, it activates CTL T-cells and attenuates Treg-mediated immunosuppression. Through synergistic mechanisms, KN052 is expected to exert strong antitumor efficacy. In February 2022, we received the IND approval from the NMPA to initiate a phase Ia/Ib clinical trial for KN052. This phase Ia/Ib clinical trial is designed to evaluate the safety, tolerability, pharmacokinetics/pharmacodynamics, and antineoplastic activity of KN052 in the treatment of advanced solid tumors. The study also includes expansion cohorts for specific tumor types at respective dose levels.

The depth and breadth of our in-house R&D and manufacturing capabilities are demonstrated by the following: (i) structure-guided protein engineering capability to develop protein building blocks in various formats, including sdAbs and engineered proteins; (ii) our in-house developed proprietary platforms including sdAb/mAb, CRIB platform, CRAM platform, BADC (bispecific antibody-drug conjugate) platform, BIMC (bispecific immuno modulator conjugation) platform, TIMC (tri-function immuno modulator conjugation) platform, GIMC (glyco-Immuno modulator conjugation) platform and CIMC (chemokine immune modulator conjugation) platform; and (iii) state-of-the-art manufacturing capability, to be further strengthened by new facilities with an expected capacity of over 40,000L, designed and built to meet the cGMP standards of the NMPA, the European Medicines Agency and the FDA.

Corporate Information

Board of Directors	**Executive Directors:** Dr. XU Ting *(Chairman of the Board and Chief Executive Officer)* Ms. LIU Yang **Non-Executive Directors:** Mr. XU Zhan Kevin Mr. QIU Yu Min **Independent Non-Executive Directors:** Dr. GUO Zijian *(appointed on August 27, 2021)* Mr. WEI Kevin Cheng Mr. WU Dong Dr. JIANG Hualiang *(resigned on August 27, 2021)*
Audit Committee	Mr. WEI Kevin Cheng *(Chairman)* Mr. WU Dong Mr. QIU Yu Min
Remuneration Committee	Mr. WU Dong *(Chairman)* Ms. LIU Yang Mr. WEI Kevin Cheng
Nomination Committee	Dr. XU Ting *(Chairman)* Dr. GUO Zijian *(appointed on August 27, 2021)* Mr. WU Dong Dr. JIANG Hualiang *(resigned on August 27, 2021)*
Strategy Committee	Ms. LIU Yang *(Chairwoman)* Dr. XU Ting Mr. XU Zhan Kevin Dr. GUO Zijian *(appointed on August 27, 2021)* Dr. JIANG Hualiang *(resigned on August 27, 2021)*
Joint Company Secretaries	Ms. CHAN Lok Yee Ms. WANG Jin'nan
Authorized Representatives	Ms. LIU Yang Ms. WANG Jin'nan

Corporate Information

Registered Office	Cricket Square, Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Head Office and Principal Place of Business in China	No. 175 Fangzhou Road Suzhou Industrial Park Suzhou Jiangsu Province, PRC
Principal Place of Business in Hong Kong	Room 1901, 19/F Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Legal Advisor	*As to Hong Kong and United States laws:* **Kirkland & Ellis** 26/F, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong *As to PRC laws:* **Commerce & Finance Law Offices** 12-14/F, China World Office 2 No. 1 Jianguomenwai Avenue Chaoyang District Beijing, PRC

Auditor	**Deloitte Touche Tohmatsu** *Registered Public Interest Entity Auditors* 35/F, One Pacific Place 88 Queensway Admiralty Hong Kong
Principal Share Registrar	**Conyers Trust Company (Cayman) Limited** Cricket Square, Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Hong Kong Share Registrar	**Computershare Hong Kong Investor Services Limited** Shops 1712-1716 17/F, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Stock Code	9966
Company Website	http://www.alphamabonc.com/

Chairman's Statement

Dear Shareholders:

We sincerely appreciate your continuous support and trust for Alphamab Oncology. On behalf of the Board, I am pleased to present the annual results of the Group for the year ended December 31, 2021 and our development plans for 2022.

2021 is an extraordinarily special year. In an intricate and complicated scenario, with the joint efforts of all employees and the strong support of our partners, we stuck to our original aspirations, overcame various challenges, and achieved multiple milestones. During the year, we continued to reinforce our existing advantages, expanded our highly differentiated innovative product pipeline based on our technical platforms and proprietary intellectual property rights, and reformed in all respects from molecule discovery, process development to clinical trials and commercial production, achieving significant business development progress.

On November 25, 2021, KN035 (Envafolimab, brand name: ENWEIDA (恩維達®)), the world's first subcutaneously injected PD-L1 sdAb, was approved for marketing, which brought Alphamab Oncology to the commercialization stage. In 2021, ENWEIDA (恩維達®) contributed over RMB10 million to the Company's revenue. With its particularly convenient dosing method and outstanding safety profile, ENWEIDA (恩維達®) filled market gap and satisfied unmet clinical demands. Looking forward, ENWEIDA (恩維達®) is expected to benefit more patients and expand indications through various clinical studies, which will enable ENWEIDA (恩維達®) to become a highly differentiated innovative product.

KN046, a targeted PD-L1/CTLA-4 bispecific antibody developed fully in house by Alphamab Oncology, is currently under over 20 clinical trials globally, covering more than 10 types of indications including NSCLC, PDAC, PD-(L)1 refractory NSCLC, thymic carcinoma and HCC. Four pivotal trials are in progress simultaneously. The clinical trial of KN046 in NSCLC has reached the prespecified endpoint for the first interim analysis. We plan to initiate the NDA application in the middle of 2022, striving to provide a better option in the first line therapy for NSCLC as early as possible. Meanwhile, we have conducted pivotal trials of KN046, covering PDAC, PD-(L)1 refractory NSCLC and thymic carcinoma, and plan to apply for breakthrough therapy designation to accelerate the marketing for KN046 in various indications. We will also actively explore cooperation for the combo therapies of KN046 to achieve superior efficacy and unleash greater potential of KN046 as the next-generation cornerstone drug in immuno-oncology.

In August 2021, Alphamab Oncology reached a licensing agreement with CSPC on KN026, a HER2 bispecific antibody, with a total consideration of up to RMB1 billion, pursuant to which we agreed to license to CSPC the right to develop and commercialize KN026 for breast cancer and GC in Mainland China. This collaboration may unleash the potential of KN026 to be the best in class. In the future, we will continue to study the efficacy of KN026 for the treatment of other HER2-positive solid tumors. In addition, the combination of KN026 and KN046 as chemotherapy-free regimen demonstrated superior efficacy in HER2-positive solid tumors including first-line GC.

KN052, another bispecific antibody independently developed by the Group, can simultaneously identify PD-L1 and OX40, which combines the advantages of immune checkpoint inhibitors and activators. We obtained the IND approval from the NMPA in February 2022, making KN052 the world's first PD-L1/OX40 bispecific antibody to enter clinical trial in human. With its unique mechanism of action, KN052 has a bright prospect in the treatment of solid and blood tumors and is expected to benefit more tumor patients in the future.

JSKN-003, with IND submission on schedule and first-patient-in (FPI) expected in the third quarter, is the HER2 bispecific antibody ADC developed with our innovative antibody glycosyl-based conjugation technology. It has shown outstanding efficacy and serum stability in preclinical studies and is expected to redefine the diagnosis and treatment of HER2-expressing solid tumors.

Despite uncertainties across the world, we still achieved outstanding results in the past year. We successfully launched the marketing of one product, advanced four pivotal trials, published 14 clinical data at academic conferences and reached strategic cooperation with various domestic and overseas partners, including Pfizer, CSPC, Kintor and Zelgen. We also started to build our core commercialization team and sped up the commercialization of KN046 and subsequent major products. 6,000L production lines and drug product workshop with production capacity of over 2 million formulations will put into use in the near future.

In 2022, with the strategic thinking and thorough clinical planning, we will carry out at least seven pivotal clinical trials, to apply for at least four breakthrough therapy designation, to submit the NDA application for KN046 and the IND application for JSKN-003, to develop our core commercialization team, and to promote further cooperative development and out-licensing deals.

Looking forward, by leveraging on our unique strengths in bispecific antibody and antibody conjugation technology, we will continue to focus on differentiated and innovative pharmaceutical products, and to rapidly develop our drug pipeline in the PRC and across the world. We will continue to improve the efficiency of our R&D, manufacturing, commercialization and other functions in all dimensions, and to lay out our business in the global market efficiently. We strive to build a biopharmaceutical company covering full industrial chain, to make unremitting efforts in improving human health and to achieve the long-term value of pharmaceutical enterprises.

I would like to express my sincere gratitude to all our partners, investors and various sectors of the community for their strong support. I also would like to express my special thanks to all employees and the management team for their whole-hearted devotion. Their outstanding execution and efficient coordination brought our business to new high. In the future, we will continue to develop next innovative products to address unmet global medical needs and improve medication accessibility.

XU Ting
Chairman and Chief Executive Officer

Suzhou, PRC

Definitions and Glossary of Technical Terms

"2021 ASCO Annual Meeting"	the 2021 annual meeting of American Society of Clinical Oncology
"2021 CSCO Annual Meeting"	the 2021 annual meeting of Chinese Society of Clinical Oncology
"3D Medicines"	3D Medicines (Beijing) Co., Ltd. (思路迪(北京)醫藥科技有限公司), a company incorporated under the laws of the PRC on December 22, 2014, an Independent Third Party collaborating with us in the development of KN035 (Envafolimab)
"3D Medicines (Sichuan)"	3D Medicines (Sichuan) Co., Ltd. (四川思路康瑞藥業有限公司), a company incorporated under the laws of the PRC on March 16, 2016 and controlled by 3D Medicines through the control of 100% voting rights
"AGM"	the annual general meeting of the Company to be held at 9:00 a.m. on Friday, June 10, 2022 at No. 175, Fangzhou Road, Suzhou Industry Park, Suzhou, Jiangsu, China or any adjournment thereof
"Alphamab Australia"	Alphamab (Australia) Co Pty Ltd, a company incorporated in Australia on November 20, 2017 and a direct wholly-owned subsidiary of Jiangsu Alphamab
"Articles of Association"	articles of association of our Company conditionally adopted on November 24, 2019 with effect from the Listing Date
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Company

"bispecific"	in reference to antibodies, antibodies that combine two antigen-recognizing elements into a single construct, able to recognize and bind to two different antigens (or epitopes)
"Board"	the board of directors of our Company
"BsAb"	bispecific monoclonal antibody
"BVI"	the British Virgin Islands
"cGMP"	current good manufacturing practice
"China" or "PRC"	the People's Republic of China, and for the purpose of this annual report only, except where the context requires otherwise, excluding Hong Kong, Macau and Taiwan
"Companies Ordinance"	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Company", "our Company" or "the Company"	Alphamab Oncology (康寧傑瑞生物製藥), an exempted company with limited liability incorporated under the laws of the Cayman Islands on March 28, 2018
"connected person"	has the meaning ascribed thereto under the Listing Rules
"connected transaction"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to Dr. Xu and/or Rubymab
"Core Products"	has the meaning ascribed to it in Chapter 18A of the Listing Rules; for the purposes of this annual report, our Core Product refers to KN046 and KN026
"Corporate Governance Code"	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
"CRAM platform"	the charge repulsion induced antibody mixture platform, used to engineer antibody mixtures

"CRIB platform"	the charge repulsion improved bispecific antibody platform, used to engineer heterodimeric Fc-based BsAbs
"CTL"	cytotoxic T-lymphocytes, which represent one of several types of cells of the immune system that have the capacity to directly kill other cells.
"CTLA-4"	cytotoxic T-lymphocyte-associated protein 4, a protein expressed on all T-cells but which is expressed at the highest level on regulatory T-cells (Treg) and contributes to the suppressor function of Treg and acts as an off-switch to T-cell immune response to cancer cells
"dMMR"	deficient mismatch repair, ability of a cell in correcting mistakes made when DNA is copied in a cell mismatch repair deficient cells usually have many DNA mutations, which may lead to cancer
"Director(s)" or "our Director(s)"	the directors of our Company, including all executive, non-executive and independent non-executive directors
"Docetaxel"	a medication used to treat cancer (such as breast, lung, prostate, stomach, and head/neck cancer)
"Dr. Xu"	Dr. Xu Ting (徐霆), the founder, chairman, executive Director and chief executive officer of our Company
"Dr. Xu's Family Trust"	a discretionary family trust established by Dr. Xu as settlor for the benefits of Dr. Xu's family members, of which South Dakota Trust is a trustee
"EIT Law"	the PRC Enterprise Income Tax Law (中華人民共和國企業所得税法), as enacted by the National People's Congress on March 16, 2007 and effective on January 1, 2008, as amended, supplemented or otherwise modified from time to time
"ESCC"	esophageal squamous cell carcinoma

"ESMO Congress 2021"	the 2021 European Society for Medical Oncology Congress, a yearly appointment in Europe for clinicians, researchers, oncology nurses, patient advocates, journalists, and representatives of the pharmaceutical industry from all over the world to get together, learn about the latest advances in oncology and translate science into better cancer patient care
"FDA"	the U.S. Food and Drug Administration, a federal agency of the U.S. Department of Health and Human Services responsible for regulating food and drugs
"FVTPL"	fair value through profit or loss
"GC"	gastric cancer
"GEJ"	gastroesophageal junction cancer
"Global Offering"	the Company's offer in December 2019 for subscription of an aggregate of 206,313,000 Shares (including Shares issued and allotted pursuant to the over-allotment option) at offer price of HK$10.2 under the Hong Kong public offering and the international offering
"GI"	gastrointestinal
"Group" or "our Group" or "we"	our Company and all of our subsidiaries or, where the context so requires, any companies that became our subsidiaries as part of the Reorganization and the oncology businesses operated by such subsidiaries or their predecessors, Suzhou Alphamab (as the case may be)
"HCC"	hepatocellular carcinoma
"HER2"	human epidermal growth factor receptor 2
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$" or "Hong Kong Dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"IFRSs"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board

"immune checkpoint inhibitor(s)"	molecules that release the natural brakes of immune response
"IND"	investigational new drug or investigational new drug application, also known as clinical trial application in China and clinical trial notification in Australia
"Independent Third Party(ies)"	party or parties that is or are not a connected party within the meaning of the Listing Rules
"Inlyta® (axitinib)"	a targeted cancer drug used to treat kidney cancer after previous treatment has not been effective
"Jiangsu Alphamab"	Jiangsu Alphamab Biopharmaceuticals Co., Ltd. (also known as Jiangsu Alphamab Pharmaceuticals Co., Ltd.) (江蘇康寧傑瑞生物製藥有限公司), a limited liability company established in the PRC on July 14, 2015 and our wholly-owned subsidiary
"JMT-Bio"	Shanhai JMT-Bio Technology Co., Ltd. (上海津曼特生物科技有限公司), a wholly-owned subsidiary of CSPC Pharmaceutical Group Limited, the shares of which are listed on the Stock Exchange (stock code: 1093)
"KN035" or "KN035 (Envafolimab)"	an anti-PD-L1 recombinant humanized sdAb invented by the Group
"Latest Practicable Date"	April 20, 2022, being the latest practicable date prior to the printing of this purpose of ascertaining the information contained herein
"Lenvatinib"	a kinase inhibitor used to treat certain types of cancer
"Listing Date"	December 12, 2019, the date on which dealings in our Shares first commence on the Main Board of the Stock Exchange
"Listing Rules" or "Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"mAb"	monoclonal antibody
"Macau"	the Macau Special Administrative Region of the PRC

"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange. For the avoidance of doubt, the Main Board excludes the GEM
"Mainland China"	mainland China (excluding Hong Kong, Macau and Taiwan)
"mBC"	metastatic breast cancer
"metastatic"	in reference to any disease, including cancer, disease producing organisms or of malignant or cancerous cells transferred to other parts of the body by way of the blood or lymphatic vessels or membranous surfaces
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"MSI-H"	microsatellite instability-high, a feature of cancer's genetic coding with a high amount of instability in a tumor
"NDA"	new drug application
"NMPA"	the National Medical Products Administration of China (國家藥品監督管理局) or, where the context so requires, its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局), or CFDA
"Nomination Committee"	the nomination committee of the Company
"Non-competition Undertaking"	the non-competition undertaking dated November 24, 2019 and entered into by the Controlling Shareholders in favor of our Company
"NSCLC"	non-small cell lung cancer
"ODD"	orphan drug designation

"OX40"	a type 1 transmembrane glycoprotein reported as a cell surface antigen expressed on activated T-cells
"PD"	pharmacodynamics, the study of how a drug affects an organism, which, together with pharmacokinetics, influences dosing, benefit, and adverse effects of the drug
"PDAC"	pancreatic ductal adenocarcinoma
"PD-1"	programmed cell death protein 1, an immune checkpoint receptor expressed on some T-cells, B-cells and macrophages that turns off the T-cell mediated immune response as part of the process that discourages a healthy immune system from attacking other cells in the body
"PD-(L)1"	PD-1 and/or PD-L1
"PD-L1"	programmed death ligand 1, a protein on the surface of a normal cell or a cancer cell that can attach to PD-1 on the surface of the T-cell that causes the T-cell to turn off its ability to kill the cancer cell
"Pearlmed"	Pearlmed Ltd., a company incorporated in the BVI on March 22, 2018 and wholly owned by Mr. XUE Chuanxiao as of the Latest Practicable Date
"PFS"	progression-free survival
"PK"	pharmacokinetics, the study of the bodily absorption, distribution, metabolism, and excretion of drugs, which, together with pharmacodynamics, influences dosing, benefit, and adverse effects of the drug
"Post-IPO Share Option Scheme"	the post-IPO share option scheme adopted by the Company in accordance with the scheme rules adopted by the Board on April 10, 2020 and approved by Shareholders' meeting on May 25, 2020, details of which are set forth in the Company's circular dated April 22, 2020, as amended from time to time, the principal terms of which are set out in "Directors' Report – Post-IPO Share Option Plan" to this annual report

"Post-IPO Restricted Share Award Scheme"	the post-IPO restricted share award scheme adopted by our Company on March 23, 2021, as amended from time to time, the principal terms of which are set out in "Directors' Report – Post-IPO Restricted Share Award Scheme" to this annual report
"Pre-IPO Share Option Plans"	the pre-IPO share option plan I adopted by our Company on October 16, 2018, which was further amended on March 29, 2019 and the pre-IPO share option plan II adopted by our Company on March 29, 2019, as amended from time to time, the principal terms of which are set out in "Directors' Report – Pre-IPO Share Option Plans" to this annual report
"Prospectus"	the prospectus of the Company dated December 2, 2019
"R&D"	research and development
"Remuneration Committee"	the remuneration committee of the Company
"Renminbi" or "RMB"	the lawful currency of the PRC
"Reporting Period"	the year ended December 31, 2021
"rheumatoid arthritis" or "RA"	a chronic, systemic inflammatory disorder that may affect many tissues and organs, but principally attacks synovial joints
"Rubymab"	Rubymab Ltd., a company incorporated in the BVI on March 22, 2018 and wholly owned by Dr. Xu's Family Trust as of the Latest Practicable Date
"SABCS 2021"	the 44th San Antonio Breast Cancer Symposium, an international forum for interaction, communication, and education for a broad spectrum of researchers, health professionals, and those with a special interest in breast cancer
"sdAb"	single domain antibody
"SFC"	the Securities and Futures Commission of Hong Kong

"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)"	common stock of the Company, par value of US$0.000002 per share
"Shareholder(s)"	holder(s) of our Share(s)
"Simcere"	Simcere Pharmaceutical Group Limited, a company engaged in the R&D, production and commercialization of pharmaceuticals with the national key laboratory of translational medicine and innovative pharmaceuticals, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2096)
"Sky Diamond"	Sky Diamond Co., Ltd., a company incorporated in the BVI on June 1, 2018 and wholly owned by Mr. ZHANG Xitian (張喜田)
"South Dakota Trust"	South Dakota Trust Company LLC, the trustee of Dr. Xu's Family Trust
"sq NSCLC"	squamous NSCLC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Strategy Committee"	the strategy committee of the Company
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"Substantial Shareholder"	has the meaning ascribed to it under the Listing Rules
"Suzhou Alphamab"	Suzhou Alphamab Co., Ltd. (蘇州康寧傑瑞生物科技有限公司), a limited liability company established in the PRC on November 6, 2008 and our connected person as of the Latest Practicable Date
"Suzhou Dingfu"	Suzhou Dingfu Target Biotechnology Co., Ltd. (蘇州丁孚靶點生物技術有限公司), a limited liability company established in the PRC on December 2, 2011

"TNBC"	triple-negative breast cancer, any breast cancer that does not express the genes for estrogen receptor (ER), progesterone receptor (PR) and HER2/neu
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. dollar(s)" or "US$"	United States dollars, the lawful currency of the United States
"VAT"	value-added tax; all amounts are exclusive of VAT in this annual report except where indicated otherwise
"we", "us" or "our"	the Company or the Group, as the context requires
"%"	per cent

Financial Highlights

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended December 31,				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**146,021**	–	–	–	–
Cost of Sales	**(3,028)**	–	–	–	–
Gross profit	**142,993**	–	–	–	–
Other income	**46,954**	111,136	34,429	783	1,428
Other losses	**(30,570)**	(117,627)	(321)	(9,833)	–
R&D expenses	**(481,361)**	(331,241)	(166,654)	(65,608)	(53,221)
Administrative expenses	**(77,251)**	(78,208)	(117,736)	(25,857)	(13,025)
Finance costs	**(13,182)**	(11,826)	(3,606)	(1,507)	(8)
Listing expenses	**–**	–	(36,561)	(4,911)	–
Fair value change of convertible redeemable preferred shares	**–**	–	(542,291)	(26,284)	–
Reorganization related expenses	**–**	–	–	(69,416)	–
Loss before taxation	**(412,417)**	(427,766)	(832,740)	(202,633)	(64,826)
Income tax expense	**–**	–	–	–	–
Loss for the year	**(412,417)**	(427,766)	(832,740)	(202,633)	(64,826)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of December 31,				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**588,542**	440,294	410,115	170,790	35,362
Current assets	**2,116,549**	2,199,228	2,444,468	656,103	11,215
Non-current liabilities	**197,542**	36,903	228,128	1,011,121	10,000
Current liabilities	**637,260**	329,535	200,530	82,800	10,266
Net assets/(liabilities)	**1,870,289**	2,273,084	2,425,925	(267,028)	26,311

Business Highlights

Since April 20, 2021, being the latest practicable date of the Company's 2020 annual report, we have been making significant progress with respect to our drug pipeline and business operations, including the following milestones and achievements:

KN046

- On April 29, 2021, we entered into a clinical trial collaboration and supply agreement with Pfizer Inc. ("**Pfizer**", a biotechnology corporation listed on the New York Stock Exchange (ticker symbol: PFE)) to evaluate the efficacy and safety of KN046 in combination with Inlyta® (axitinib), for the first-line treatment of NSCLC.

- We achieved positive results of KN046 with respect to its preliminary efficacy and safety in combination with nab-paclitaxel and gemcitabine as first-line treatment for unresectable locally advanced or metastatic PDAC. Such research progress was presented at the 2021 ASCO Annual Meeting from June 4, 2021 to June 8, 2021.

- We achieved promising preliminary results in a phase II, open-label and multi-center study of KN046 in combination with chemotherapy in patients with advanced NSCLC. Such research progress was presented at the 2021 ASCO Annual Meeting from June 4, 2021 to June 8, 2021.

- We made progress in obtaining the efficacy and safety results of KN046 plus paclitaxel/cisplatin as first-line treatment for unresectable locally advanced, recurrent or metastatic ESCC. Such research progress was presented at the 2021 ASCO Annual Meeting from June 4, 2021 to June 8, 2021.

- We made progress in obtaining the preliminary efficacy and safety results of a prospective phase II trial of KN046 in combination with Lenvatinib in the first-line treatment for advanced unresectable or metastatic HCC. Such research progress was presented at the ESMO Congress 2021 from September 16, 2021 to September 21, 2021.

- We obtained research results of a phase II, open-label and multi-center clinical trial of KN046 in combination with platinum doublet chemotherapy as first-line treatment with advanced NSCLC harboring resistant oncogenic driver alterations. Such research results were presented at the ESMO Congress 2021 from September 16, 2021 to September 21, 2021.

- On September 23, 2021, we received an IND approval for KN046 from the NMPA for initiating a multi-center, open-label and randomized-controlled phase II/III pivotal clinical study (study code: ENREACH-LUNG-02/KN046-302) to evaluate the efficacy, safety and tolerability of KN046 combined with Lenvatinib versus Docetaxel in disease progression of patients with advanced NSCLC who have accepted anti-PD-(L)1 treatment.

- We achieved significant efficacy and safety results of KN046 in combination with nab-paclitaxel/gemcitabine in the first-line treatment of locally advanced unresectable or metastatic PDAC. Such results were presented at the 2021 CSCO Annual Meeting from September 25, 2021 to September 29, 2021.

- On September 28, 2021, the Company entered into a partnership agreement with Hangzhou Raygene Pharmaceutical Co., Ltd. (杭州瑞臻醫藥有限公司) to jointly develop the combination therapy of KN046 and RG001, a proprietary anti-tumor small molecule drug, for the posterior line treatment for advanced HCC and liver metastasis of colorectal cancer.

- In October 2021, a multi-center, randomized, double-blind and placebo-controlled phase III clinical trial of KN046 to evaluate the efficacy and safety of KN046 in combination with the platinum-based chemotherapy in patients with advanced unresectable or metastatic sq NSCLC, completed the enrollment of 482 patients.

- On October 28, 2021, the first patient was successfully dosed in a multi-center, open-label and randomized-controlled phase II/III pivotal clinical trial of KN046 in Mainland China, which aims to evaluate the efficacy, safety and tolerability of KN046 combined with Lenvatinib versus Docetaxel in disease progression of patients with advanced NSCLC who have accepted anti-PD-(L)1 treatment.

- On November 3, 2021, the first patient was successfully dosed in a clinical trial of KN046 in combination with ALK-1 (activin receptor-like kinase-1) antibody developed by Kintor Pharmaceutical Limited ("**Kintor**", the shares of which are listed on the Main Board of the Stock Exchange (stock code: 9939)), for the treatment of advanced or refractory solid tumors.

- In November 2021, the Company entered into a collaboration agreement with Guangzhou MaxiNovel Pharmaceuticals Co., Ltd. (廣州再極醫藥科技有限公司) ("**MaxiNovel**"), for jointly clinical cooperation of MAX-40279, a multi-target tyrosine kinase inhibitor independently developed by MaxiNovel, in combination with KN046 for the treatment of GC and other indications agreed by both parties.

- In November 2021, the Company received an IND approval of KN046 from the NMPA for initiating a multi-center, randomized, double-blind and placebo-controlled phase III clinical trial to evaluate the efficacy and safety of KN046 in combination with nab-paclitaxel/gemcitabine in the treatment of locally advanced unresectable or metastatic PDAC without systemic treatment.

- In December 2021, the first patient was successfully dosed in the United States in an open-label and multi-center phase II pivotal clinical trial of KN046 to evaluate efficacy, safety and tolerability of KN046 in subjects with advanced thymic carcinoma.

- On February 9, 2022, the first patient was successfully dosed in a multi-center, randomized, double-blind and placebo-controlled phase III clinical trial of KN046 to evaluate the efficacy and safety of KN046 in combination with nab-paclitaxel/gemcitabine versus placebo in combination with nab-paclitaxel/gemcitabine, in the treatment of locally advanced unresectable or metastatic PDAC without systemic treatment.

- On February 9, 2022, the Company received an IND approval of KN046 from the NMPA for initiating a phase II clinical trial to evaluate the efficacy, safety, tolerability of KN046 in combination with Inlyta® (axitinib) in the treatment of advanced NSCLC.

- On February 22, 2022, the Company received an IND approval of KN046 from the NMPA for initiating a phase I/II clinical trial of KN046 in combination with MAX-40279 for the treatment of advanced or metastatic solid tumors.

- In March 2022, we completed the first interim analysis on a phase III clinical trial of KN046 in combination with the platinum-based chemotherapy to evaluate the efficacy and safety of KN046 for the treatment of advanced unresectable or metastatic sq NSCLC, which reached the prespecified PFS endpoint and indicated promising efficacy of KN046.

KN046 has completed phase I clinical trials in Australia and has simultaneously been under a phase II clinical trial in the United States. Currently, four pivotal clinical trials of KN046 in China have been launched, including two pivotal clinical trials in NSCLC, one pivotal phase III clinical trial in PDAC and one pivotal trial in thymic carcinoma. There are approximately 20 clinical trials at different stages in China, the United States and Australia, covering more than 10 types of tumors including NSCLC, TNBC, ESCC and thymic carcinoma, the results of which have demonstrated a preliminary profile of good safety and promising efficacy of KN046.

KN026

- We made advancement in evaluating the preliminary efficacy of KN026 for the treatment of HER2 expression in patients with advanced GC/GEJ. Such results were presented at the 2021 ASCO Annual Meeting from June 4, 2021 to June 8, 2021.

- On August 12, 2021, the first patient was successfully dosed in a phase II clinical trial of KN026 for the neoadjuvant treatment of HER2-positive early or locally breast cancer.

- In August 2021, the Company received a notice of approval from the NMPA for the supplementary application for a pharmaceutical change of KN026 for clinical use, which allows KN026 liquid formulation to be used in clinical research. This is the first HER2 bispecific antibody in liquid formulation approved for conducting clinical research in China.

- On August 23, 2021, Jiangsu Alphamab entered into a licensing agreement with JMT-Bio for the development and commercialization of KN026 for the treatment of breast cancer and GC in Mainland China.

- We made advancement in evaluating the preliminary efficacy and safety results of KN026 in combination with KN046 in patients with HER2-positive GI tumors. Such results were presented at the ESMO Congress 2021 from September 16, 2021 to September 21, 2021.

- We made progress in obtaining the preliminary safety and efficacy results of a phase II clinical trial of KN026 in combination with KN046 in patients with metastatic HER2-positive breast cancer. Such research progress was presented at the SABCS 2021 from December 7, 2021 to December 10, 2021.

- We made progress in a phase I clinical trial of KN026 for the treatment of patients with HER2-positive mBC. Such research progress was presented at the SABCS 2021 from December 7, 2021 to December 10, 2021.

- On January 4, 2022, the Company received an IND approval from the NMPA for a randomized and multi-center phase II/III clinical trial of KN026, which aimed at evaluating the efficacy and safety of KN026 combined with chemotherapy in patients with HER2-positive GC (including GEJ) who have failed first-line treatment.

- In January 2022, the phase II clinical trial of KN026 combined with KN046 in the treatment of HER2-positive solid tumors, successfully completed patient enrollment.

- In February 2022, data from a phase I clinical study of the KN026 for the treatment of HER2-positive mBC were published in *Clinical Cancer Research*, a journal published by the American Association for Cancer Research ("**AACR**").

- We achieved preliminary safety and efficacy results of phase II clinical trial of KN026 in combination with KN046 for the treatment of locally advanced unresectable or metastatic HER2-positive solid cancer (other than breast cancer and GC). Such results were presented at the 2022 AACR Annual Meeting from April 8, 2022 to April 13, 2022.

- In April 2022, the first patient was successfully dosed in a phase II/III pivotal clinical trial of KN026 combined with chemotherapy, which aimed at the treatment of HER2-positive GC (including GEJ) in patients who have failed first-line treatment.

KN035 (Envafolimab) (brand name: ENWEIDA, 恩維達®)

- From June 4 to June 8, 2021, the study design of the ENVASARC pivotal trial in the U.S. for KN035 was presented by TRACON Pharmaceuticals, Inc. ("**TRACON**", the shares of which are listed on the Nasdaq Global Select Market (ticker symbol: TCON)), our business partner, in a poster session at the 2021 ASCO Annual Meeting.

- In June 2021, the FDA granted ODD to KN035 for the treatment of patients with soft tissue sarcoma. This is the second ODD for KN035 after its first ODD in advanced biliary track cancer and the fourth ODD that we have obtained from the FDA.

- In September 2021, we obtained an IND approval from the NMPA for KN035 in combination with Lenvatinib for the treatment of patients who have failed or are intolerant of platinum-containing chemotherapy and are not suitable for radical treatment with locally advanced metastatic or recurrent non-microsatellite instability-high phenotype/non-DNA deficient mismatch repair endometrial cancer.

- On November 25, 2021, we formally obtained conditional approval from the NMPA for marketing KN035 (Envafolimab). The approval is for the treatment of adult patients with advanced solid tumors who have unresectable or metastatic advanced MSI-H phenotype/dMMR.

- On December 8, 2021, the Company, 3D Medicines and Simcere jointly announced that the first batch of prescriptions for KN035 (Envafolimab), the world's first subcutaneously injected PD-L1 antibody, has been implemented across China.

KN019

- The phase II clinical trial of KN019 for the treatment of rheumatoid arthritis completed the patient enrollment. The final analysis of clinical results is expected to be completed in the first half of 2022.

- In 2021, we initiated a clinical study on the bioavailability of KN019 in the switch from intravenous infusion to subcutaneous administration.

KN052

- In February 2022, the Company received an IND approval for KN052 from the NMPA for initiating a phase Ia/Ib clinical trial to evaluate the safety, tolerability, PK/PD, and antineoplastic activity of KN052 in the treatment of advanced solid tumors.

JSKN-003

- The Company completed the efficacy validation and process development for JSKN-003 in June 2021 and targets to submit IND application in the second quarter of 2022.

MANUFACTURING FACILITIES

- On July 6, 2020, we obtained a drug production license from Jiangsu Drug Administration for the phase I of our new manufacturing facilities, with a 4,000L (2x2,000L) production capacity. The second stage construction of phase I production lines, pilot plant and preparation workshop, was completed in 2021. The third stage construction of phase I production lines, manufacturing facilities with a 6,000L (3x2,000L) production capacity, is ongoing and expected to be put into use in 2022. The phase II construction is under planning and the facility is designed to house over 40,000L production capacity in total.

OTHER HIGHLIGHTS

- On May 26, 2021, Jiangsu Alphamab entered into a collaboration agreement with Suzhou Alphamab for two technology development projects for JSKN-003 and KN062 COVID-19 neutralizing bispecific antibody.

- In December 2021, the Company was listed as one of the 2021 Top 100 Chinese Pharmaceutical Innovative Enterprise (2021年中國醫藥創新企業100強). The Company has been acknowledged as such for the third consecutive year.

- On January 11, 2022, the Company was awarded "The Most Valuable Pharmaceutical and Medical Company" award at the Sixth Golden Hong Kong Stocks Awards ceremony (第6屆金港股最具價值醫藥及醫療公司獎).

For details of any foregoing, please refer to the rest of this annual report and, where applicable, the Company's prior announcements published on the websites of the Stock Exchange and the Company.

OVERVIEW

We are a leading biopharmaceutical company in China with a fully integrated proprietary biologics platform in bispecific and protein engineering. Our mission is to deliver world-class innovative therapeutic biologics to treat patients globally by applying our unique drug discovery and development capabilities. We believe these capabilities are demonstrated by our strong R&D track record and supported by our proprietary technologies, platforms and expertise.

PRODUCT PIPELINE

Our highly differentiated in-house pipeline consists of tumor monoclonal antibodies, bispecific antibodies, and antibody-drug conjugates in staggered development status, including one approved for marketing by the NMPA, three in late clinical stage, and three that have received IND approval or in schedule for IND submission. The following chart summarizes our product pipeline as of the date of this annual report:

Stage	Drug Candidate	Target(s)	Platform	Commercial Rights	Key Indications	Pre-clinical	Dose escalation	Proof of concept	Pivotal	NDA
Late-stage	KN046	PD-L1/CTLA-4 bispecific	sdAb/ mAb	Global	1L sq NSCLC, PD-(L)1 Refractory NSCLC, Thymic carcinoma, PDAC, HCC, ESCC, TNBC				interim analysis	
	KN026	HER2/HER2 bispecific	CRIB	Global	HER2-positive BC, GC/GEJ					
	KN026 +KN046	Target therapy +IO combo	Biomarker driven	Global	HER2-positive solid tumors					
	KN019	B7	Fusion protein	Global	Autoimmune				Phase II ongoing	
On the market	KN035	SubQ PD-L1	sdAb/ mAb	Global Co-development	MSI-H, BTC, Sarcoma, TMB-H, MSS endometrial					already come to market
IND	KN052	PD-L1/OX40 bispecific	CRIB	Global	Solid tumors					
Pre-IND	JSKN-003	HER2 ADC	BADC	Global	HER2 Solid tumors					
Pre-clinical	JSKN-001	Undisclosed	CRIB	Global	Solid tumors					
	JSKN-002	Undisclosed	GIMC	Global	Solid tumors					
	JSKN-004	Undisclosed	TIMC	Global	Solid tumors					
	JSKN-005	Undisclosed	CIMC	Global	Solid tumors					
	JSKN-006	Undisclosed	BIMC	Global	Solid tumors					
	JSKN-008	Novel Structual CTLA-4 mAb	sdAb/mAb	Global	Maintenance therapy for solid tumors					

The depth and breadth of our in-house R&D and manufacturing capabilities are demonstrated by the following: (i) structure-guided protein engineering capability to develop protein building blocks in various formats, including sdAb and engineered proteins; (ii) our in-house developed proprietary platforms including sdAb/mAb, CRIB platform, CRAM platform, BADC (bispecific antibody-drug conjugate) platform, BIMC (bispecific immuno modulator conjugation) platform, TIMC (tri-function immuno modulator conjugation) platform, GIMC (glyco-Immuno modulator conjugation) platform and CIMC (chemokine immune modulator conjugation) platform; and (iii) state-of-the-art manufacturing capability, to be further strengthened by new facilities with an expected capacity of over 40,000L, designed and built to meet the cGMP standards of the NMPA, the European Medicines Agency and the FDA.

COMMERCIALIZATION

We achieved a major milestone with our drug pipeline and business operations in 2021, moving closer to complete our mission. After over seven years of meticulous R&D, we commenced to commercialize KN035 (Envafolimab) (brand name: ENWEIDA，恩維達®) in November 2021 and achieved strong commercial success. We started to build our own core commercialization team in China with an initial focus on late-stage drug candidates and have continued to recruit key talents for medical affairs, governmental affairs and other related functions in 2021. The successful launch of our first commercial product has propelled us to the commercial phase of our business operations and has unleashed full power of our fully-integrated multi-function platform for the discovery, development, manufacture and commercialization of innovative drugs in a wide variety of therapeutic areas. The upcoming NDA for KN046 is expected to be submitted in the middle of 2022 and the one for KN026 is expected in 2024. We expect to cover major provinces and municipalities in China, especially the ones with relatively well-developed economies and high levels of discretionary income. We intend to continue to leverage our evolving innovative technology platforms to develop our pipeline products and expand our commercialization team in anticipation of more product launches and more approved indications.

Cautionary Statement required by Rule 18A.08(3) of the Listing Rules: The Company cannot guarantee that it will be able to successfully develop, or ultimately market our Core Products. Shareholders and potential investors of the Company are advised to exercise due care when dealing in the shares of the Company.

BUSINESS REVIEW

Events during the Reporting Period

During the Reporting Period, we continuously focused on enhancing our pharmaceutical R&D capabilities and optimizing our existing technological platforms. We also strategically established cooperation with our global partners to accelerate the development process of our drug candidates. Since April 20, 2021, being the latest practicable date of the Company's 2020 annual report, we have been making significant progress with respect to our drug pipeline and business operations.

- On April 29, 2021, we entered into a clinical trial collaboration and supply agreement with Pfizer to evaluate the efficacy and safety of KN046 in combination with Inlyta® (axitinib), a small molecule tyrosine kinase inhibitor developed by Pfizer, for the first-line treatment of NSCLC.

- On May 26, 2021, Jiangsu Alphamab entered into a collaboration agreement with Suzhou Alphamab for two technology development projects for JSKN-003 and KN062 COVID-19 neutralizing bispecific antibody. For further details, please refer to the Company's announcement dated May 26, 2021.

- We achieved positive results of KN046 with respect to its preliminary efficacy and safety in combination with nab-paclitaxel and gemcitabine as first-line treatment for patients with unresectable locally advanced or metastatic PDAC, which indicated that the promising efficacy, safety and tolerability for the combination of KN046 and nab-paclitaxel and gemcitabine. Such research progress was presented at the 2021 ASCO Annual Meeting from June 4, 2021 to June 8, 2021. For further details, please refer to the Company's announcement dated May 20, 2021.

- We achieved promising preliminary results in a phase II, open-label and multi-center study, which aimed at evaluating the efficacy, safety, and tolerability of KN046 in combination with chemotherapy in patients with advanced NSCLC. Such research progress was presented at the 2021 ASCO Annual Meeting from June 4, 2021 to June 8, 2021. For further details, please refer to the Company's announcement dated May 20, 2021.

- We made progress in obtaining the efficacy and safety results of KN046 plus paclitaxel/cisplatin as first-line treatment for unresectable locally advanced, recurrent or metastatic ESCC, which indicated that KN046 plus paclitaxel/cisplatin was active and well tolerated. Such research progress was presented at the 2021 ASCO Annual Meeting from June 4, 2021 to June 8, 2021. For further details, please refer to the Company's announcement dated May 20, 2021.

- We made advancement in evaluating the preliminary efficacy of KN026 in advanced GC/GEJ patients with HER2 expression, which indicated that KN026 demonstrated favorable safety and promising efficacy in Chinese HER2 over expressing GC/GEJ patients, both, either pretreated with or without anti-HER2 treatments. Such results were presented at the 2021 ASCO Annual Meeting from June 4, 2021 to June 8, 2021. For further details, please refer to the Company's announcement dated May 20, 2021.

- From June 4 to June 8, 2021, the study design of the ENVASARC pivotal trial conducted in the U.S. for KN035 was presented by TRACON, our business partner, in a poster session at the 2021 ASCO Annual Meeting.

- In June 2021, the FDA granted ODD to KN035 for the treatment of patients with soft tissue sarcoma. This is the second ODD for KN035 after its first ODD in advanced biliary track cancer and the fourth ODD that we obtained from the FDA.

- The Company completed the efficacy validation and process development for JSKN-003 in June 2021 and targets to submit IND application in the second quarter of 2022.

- In August 2021, the first patient was successfully dosed in a phase II clinical study of KN026 for the neoadjuvant treatment of HER2-positive early or locally advanced breast cancer. The phase II multicenter clinical study aims to evaluate the efficacy, safety and tolerability of KN026 in combination with Docetaxel as a neoadjuvant treatment for early-stage or locally advanced HER2-positive breast cancer. Patients will receive KN026 in combination with Docetaxel for 4 cycles of neoadjuvant therapy. After the neoadjuvant therapy, patients who meet the surgical conditions will undergo surgery and pathological remission assessment. The study plans to recruit about 30 patients. The total pathological complete response rate is the primary study endpoint.

- In August 2021, the Company received a notice of approval from the NMPA for the supplementary application for a pharmaceutical change of KN026 for clinical use, which allows KN026 liquid formulation to be used in clinical research. This is the first HER2 bispecific antibody in liquid formulation approved for conducting clinical research in China.

- On August 23, 2021, Jiangsu Alphamab entered into an exclusive licensing agreement with JMT-Bio for the development and commercialization of KN026 for the treatment of breast cancer and GC in Mainland China. We agreed to grant to JMT-Bio an exclusive right to develop and commercialize KN026 as a single agent and in combination with KN046 for breast cancer and gastric cancer, which shall be at the costs and expenses of JMT-Bio for all clinical development activities. JMT-Bio became the marketing authorization holder for KN026, in Mainland China. We are entitled to receive upfront payment and milestone payments of up to RMB1 billion, including an upfront payment of RMB150 million, a development milestone payment of up to RMB450 million in total based on the development progress of KN026, and a sales milestone payment of up to RMB400 million in total based on the annual sales performance of KN026. We are also entitled to receive a double-digit tiered sales commission. For further details, please refer to the Company's announcement dated August 23, 2021.

- We made progress in obtaining the preliminary efficacy and safety results of a prospective phase II trial of KN046 in combination with Lenvatinib in the first-line treatment for advanced unresectable or metastatic HCC. Such research progress was presented at the ESMO Congress 2021 from September 16, 2021 to September 21, 2021. For further details, please refer to the Company's announcement dated September 13, 2021.

- We made advancement in evaluating the preliminary efficacy and safety results of KN026 in combination with KN046 in patients with HER2-positive GI tumors. Such results were presented at the ESMO Congress 2021 from September 16, 2021 to September 21, 2021. For further details, please refer to the Company's announcement dated September 13, 2021.

- We obtained research results of a phase II, open-label and multi-center clinical trial of KN046 in combination with platinum doublet chemotherapy as first-line treatment for advanced NSCLC harboring resistant oncogenic driver alterations. Such research results were presented at the ESMO Congress 2021 from September 16, 2021 to September 21, 2021. For further details, please refer to the Company's announcement dated September 13, 2021.

- In September 2021, we obtained an IND approval from the NMPA for KN035 in combination with Lenvatinib for the treatment of patients who have failed or are intolerant of platinum-containing chemotherapy and are not suitable for radical treatment with locally advanced metastatic or recurrent non-microsatellite instability-high phenotype/non-DNA deficient mismatch repair endometrial cancer.

- On September 23, 2021, the Company received an IND approval from the NMPA for a multi-center, open-label and randomized-controlled phase II/III pivotal clinicl study (study code: ENREACH-LUNG-02/KN046-302) to evaluate the efficacy, safety and tolerability of KN046 combined with Lenvatinib versus Docetaxel in disease progression of patients with advanced NSCLC who have accepted anti-PD-(L)1 treatment.

- We achieved significant efficacy and safety results of KN046 in combination with nab-paclitaxel/gemcitabine in the first-line treatment of locally advanced unresectable or metastatic PDAC. Such results were presented at the the 2021 CSCO Annual Meeting from September 25, 2021 to September 29, 2021. For further details, please refer to the Company's announcement dated September 17, 2021.

- On September 28, 2021, the Company entered into a partnership agreement with Hangzhou Raygene Pharmaceutical Co., Ltd. (杭州瑞臻醫藥有限公司) to jointly develop the combination therapy of KN046 and RG001, a proprietary anti-tumor small molecule drug, for the posterior line treatment for advanced HCC and liver metastasis colorectal cancer.

- In October 2021, a multi-center, randomized, double-blind and placebo-controlled phase III clinical trial of KN046, which aimed at evaluating the efficacy and safety of KN046 in combination with the platinum-based chemotherapy in patients with advanced unresectable or metastatic sq NSCLC, completed the enrollment of 482 patients. For further details, please refer to the Company's announcement dated October 15, 2021.

- On October 28, 2021, the first patient was successfully dosed in a multi-center, open-label and randomized-controlled phase II/III pivotal clinical trial of KN046 in Mainland China, which aimed to evaluate the efficacy, safety and tolerability of KN046 combined with Lenvatinib versus Docetaxel in disease progression of patients with advanced NSCLC who have accepted anti-PD-(L)1 treatment. For further details, please refer to the Company's announcement dated October 28, 2021.

- On November 3, 2021, the first patient was successfully dosed in a clinical trial of KN046 in combination with Kintor's ALK-1(activin receptor-like kinase-1) antibody, for the treatment of advanced or refractory solid tumors.

- In November 2021, the Company entered into a collaboration agreement with MaxiNovel to jointly carry out clinical cooperation of KN046 in combination with MAX-40279, a multi-target tyrosine kinase inhibitor independently developed by MaxiNovel, for the treatment of GC and other indications agreed by both parties.

- In November 2021, the Company received an IND approval from the NMPA for a multi-center, randomized, double-blind and placebo-controlled phase III clinical trial, which aimed at evaluating the efficacy and safety of KN046 in combination with nab-paclitaxel/gemcitabine in the treatment of locally advanced unresectable or metastatic PDAC without systemic treatment. For further details, please refer to the Company's announcement dated November 23, 2021.

- On November 25, 2021, we formally obtained conditional approval from the NMPA for marketing KN035 (Envafolimab). The approval is for the treatment of adult patients with advanced solid tumors who have unresectable or metastatic advanced MSI-H phenotype/dMMR, including patients with advanced colorectal cancer who have experienced disease progression after previous therapy with fluorouracil, oxaliplatin and irinotecan, as well as patients with advanced solid tumors who have experienced disease progression after previous therapy and no satisfactory treatment alternatives. For further details, please refer to the Company's announcement dated November 25, 2021.

- We made progress in obtaining the preliminary safety and efficacy results of a phase II clinical trial of KN026 in combination with KN046 in patients with metastatic HER2-positive breast cancer. Such research progress was presented at the SABCS 2021 from December 7, 2021 to December 10, 2021.

- We made progress in a phase I clinical trial of KN026 for the treatment of patients with HER2-positive mBC. Such research progress was presented at the SABCS 2021 from December 7, 2021 to December 10, 2021.

- On December 8, 2021, the Company, 3D Medicines and Simcere jointly announced that the first batch of prescriptions for KN035 (Envafolimab), the world's first subcutaneously injected PD-L1 antibody, had been implemented across China.

- In December 2021, the first patient was successfully dosed in the United States in an open-label and multi-center phase II pivotal clinical trial of KN046 to evaluate efficacy, safety and tolerability of KN046 in subjects with advanced thymic carcinoma.

- In December 2021, the Company was listed as one of the 2021 Top 100 Chinese Pharmaceutical Innovative Enterprise (2021年中國醫藥創新企業100強). The Company has been acknowledged as such for the third consecutive year.

Events after the Reporting Period

- On January 4, 2022, the Company received an IND approval from the NMPA for a randomized and multi-center phase II/III clinical trial of KN026, which aimed at evaluating the efficacy and safety of KN026 combined with chemotherapy in patients with HER2-positive GC (including GEJ) who have failed first-line treatment.

- On January 11, 2022, the Company was awarded "The Most Valuable Pharmaceutical and Medical Company" at the Sixth Golden Hong Kong Stocks Awards Ceremony (第6屆金港股最具價值醫藥及醫療公司獎), an event jointly organized by Zhitong Caijing (智通財經) and Tonghuashun Caijing (同花順財經), the leading Hong Kong and U.S. stock information platforms in Mainland China.

- In January 2022, the patient enrollment of the phase II clinical trial of KN026 combined with KN046 in the treatment of HER2-positive solid tumors, was successfully completed.

- On February 9, 2022, the first patient was successfully dosed in a multi-center, randomized, double-blind and placebo-controlled phase III clinical trial of KN046 to evaluate the efficacy and safety of KN046 in combination with nab-paclitaxel/gemcitabine versus placebo in combination with nab-paclitaxel/gemcitabine, in the treatment of locally advanced unresectable or metastatic PDAC without systemic treatment. For further details, please refer to the Company's announcement dated February 9, 2022.

- In February 2022, the Company received an IND approval from the NMPA for a phase Ia/Ib clinical trial, which aimed at evaluating the safety, tolerability, PK/PD, and antineoplastic activity of KN052 in the treatment of advanced solid tumors. For further details, please refer to the Company's announcement dated February 10, 2022.

- In February 2022, the Company received an IND approval from the NMPA for a phase II clinical trial to evaluate the efficacy, safety, tolerability of KN046 in combination with Inlyta® (axitinib) in the treatment of advanced NSCLC. For further details, please refer to the Company's announcement dated February 10, 2022.

- In February 2022, data from a phase I clinical study of KN026 for the treatment of HER2-positive mBC was published in *Clinical Cancer Research*, a journal of the AACR.

- On February 22, 2022, the Company received an IND approval from the NMPA for a phase I/II clinical trial of KN046 in combination with MAX-40279 for the treatment of advanced or metastatic solid tumors.

- In March 2022, a phase III clinical trial to evaluate the efficacy and safety of KN046 in combination with the platinum-based chemotherapy for the treatment of advanced unresectable or metastatic sq NSCLC, has completed the first interim analysis and reached the prespecified PFS endpoint. For further details, please refer to the Company's announcement dated March 31, 2022.

- We achieved preliminary safety and efficacy results of a phase II clinical trial of KN026 in combination with KN046 for the treatment of locally advanced unresectable or metastatic HER2-positive solid cancer (other than breast cancer and GC). Such results were presented at the 2022 AACR Annual Meeting from April 8, 2022 to April 13, 2022. For further details, please refer to Company's announcement dated April 11, 2022.

- In April 2022, the first patient was successfully dosed in a phase II/III pivotal clinical trial of KN026 combined with chemotherapy for the treatment of HER2-positive GC (including GEJ) in patients who have failed first-line treatment.

The continuing global outbreak of COVID-19 and the quarantine measures imposed by governments in 2021 have created challenges to the Group's business operations, including but not limited to the patient enrollment of clinical trials, approval of regulatory registration, procurement of raw materials and marketing activities for KN035 (Envafolimab), which also brought challenges to our development and commercial partners and clinical sites. Benefited from the strong and effective control measures by the PRC government, the pandemic had a limited impact on our business operations as of the Latest Practicable Date. However, the continued uncertainty in the development of global pandemic and the emergence of different variants of COVID-19 virus may have potential negative impact on the Group's business. The Group has implemented comprehensive measures to minimize delays and disruptions to the business operations, including but not limited to implementing risk management measures, updating the standard operating procedures according to guidance issued by regulatory bodies, adjusting our research plans and status of clinical trials, providing alternative methods for safety and efficacy assessment and engaging in online meetings with our principal investigators for the clinical trials to track progress and identify any issues that may arise. The Group will continue to monitor the pandemic situation and react actively to such impact. In addition, the Group, through collaboration with academic institute, initiated R&D projects to address COVID-19 variants with bispecific and antibody engineering platforms. The Group will continue to explore potential opportunities to develop our core and related business, further develop our drug candidates, and to allocate substantial resources to make further progress in our R&D, product pipeline and regulatory approvals.

FUTURE DEVELOPMENT

In 2021, we have continuously made steady progress in our R&D of our drug candidates, have explored strategic collaboration with our business partners, and have reached significant commercialization milestones despite the impact of COVID-19 pandemic. We, together with the global pharmaceutical industry, have sought to implement and adhere to emergency management plans, social distancing guidelines and adjusted regulatory processes, while have continued to strive to develop and produce treatments and drug candidates that benefit patients.

In recent years, China has issued or amended a series of rules and policies with respect to, among others, priority review and patent compensation, quality control, sales, data protection of drug trials to support the R&D of pharmaceutical products. In 2020, the amended Measures for Administration of Drug Registration (《藥品註冊管理辦法》), the Measures for the Supervision and Administration of Drug Production (《藥品生產監督管理辦法》), the Good Clinical Practice of Pharmaceutical Products (《藥物臨床試驗質量管理規範》), the Administrative Measures for Communication on the Research Development and Technical Evaluation of Drugs (《藥物研發與技術審評溝通交流管理辦法》) and the Registration Category of Biological Products and the Information Requirements for Declaration (《生物製品註冊分類及申報資料要求》) came into effect to streamline the R&D and production process of new drugs and the application process under the drug marketing authorization holder mechanism, as well as to provide a clear classification for therapeutic biological products. In 2021, the Guiding Principles for Clinical Research and Development of Anti-tumor Drugs Oriented by Clinical Value (《以臨床價值為導向的抗腫瘤藥物臨床研發指導原則》) was officially released, which aims to guide the clinical R&D activities of anti-tumor drugs to implement the R&D concept driven by clinical value and centered on the need of patients. These policies removed political barriers and sped up the R&D process for innovative new drugs, but also put forward higher innovative standards for pharmaceutical companies. The newly revised Patent Law of the People's Republic of China (《中華人民共和國專利法》), which came into effect on June 1, 2021, launches a protection term compensation system for new drugs, where a patent may be granted an extended patent term up to five years as compensation for the time taken up due to regulatory review and approval. As a result, pharmaceutical companies with strong R&D capabilities for innovative therapeutic biologics will stand out and they will have unprecedented opportunities for development. The Company believes that there will be a stronger focus on R&D of innovative therapeutic biologics and heavier investments in new biotechnology. It is believed that in the next decade, the R&D of innovative therapeutic biologics in the PRC will drive the growth of the entire pharmaceutical industry.

The Group will continue to strive for delivering world-class innovative therapeutic biologics to treat patients globally by applying our unique drug discovery and development capabilities. To accomplish this mission, we will commit to advancing clinical development of our product pipeline, including developing KN046 for various major cancer indications in addition to selected indications using a fast/first-to-market approach. We will also strategically focus on cancers with HER2 expression in our KN026 clinical development plan. In the meantime, leveraging our strong in-house R&D capabilities, we will further advance our pre-clinical programs on over 10 multi-specific immune-oncology drug candidates and will leverage our technology platforms to discover, validate and select targets and lead candidates to enrich our early-stage pipeline with a focus on immuno-oncology based bispecific and multi-specific drugs. We will also continue to optimize our manufacturing process and technologies to enhance product quality and reduce the costs. To maximize the commercial value of our assets with global rights, we will also continue to actively seek strategic collaboration opportunities for our Core Products, such as co-development, collaboration in combination development, and out-licensing.

FINANCIAL REVIEW

Overview

We commenced to commercialize KN035 (Envafolimab) and entered into a licensing agreement with JMT-Bio to develop and commercialize KN026 in 2021. We recorded total revenue of RMB146.0 million for the year ended December 31, 2021 and recorded total cost of sales of RMB3.0 million for the corresponding period. For the year ended December 31, 2021, the Group recorded other income of RMB47.0 million, as compared with RMB111.1 million for the year ended December 31, 2020. We recorded other losses of RMB30.6 million for the year ended December 31, 2021, as compared to RMB117.6 million for the year ended December 31, 2020. Our total comprehensive expense amounted to RMB411.3 million for the year ended December 31, 2021, as compared with RMB428.3 million for the year ended December 31, 2020. The R&D expenses of the Group amounted to RMB481.4 million for the year ended December 31, 2021, as compared with RMB331.2 million for the year ended December 31, 2020. The administrative expenses amounted to RMB77.3 million for the year ended December 31, 2021 as compared with RMB78.2 million for the year ended December 31, 2020. The finance costs amounted to RMB13.2 million for the year ended December 31, 2021 as compared with RMB11.8 million for the year ended December 31, 2020.

Revenue

KN035 (Envafolimab) (brand name: ENWEIDA, 恩維達®) is our first drug product that has been commercialized. We commenced to commercialize KN035 (Envafolimab) at the end of 2021 and entered into a licensing agreement with JMT-Bio to develop and commercialize KN026 for the treatment of breast cancer and GC in Mainland China in August 2021. We recorded total revenue of RMB146.0 million for the year ended December 31, 2021. The Group mainly generated revenue from (i) sales of pharmaceutical product; (ii) royalty income; (iii) license fee income; and (iv) provision of goods and consumables for R&D projects. The following table sets forth the components of the revenue from contracts with customers for the periods presented:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Time of revenue recognition		
A point in time		
Sales of pharmaceutical products and royalty income	**11,608**	–
License fee income	**132,787**	–
Provision of goods/consumables for R&D projects	**1,614**	–
	146,009	–
Overtime		
Co-development and commercialization income	**12**	–
	146,021	–

During the year ended December 31, 2021, the Group recorded license fee income of RMB132.8 million, primarily due to the collaboration with JMT-Bio under a licensing agreement entered into between JMT-Bio and the Group in August 2021, pursuant to which the Group granted to JMT-Bio an exclusive right for the R&D and commercialization of KN026 in Mainland China. For the grant of a right to use the license, revenue is recognized at a point in time when the Group has transferred the license to JMT-Bio and when JMT-Bio has the practical ability to use the license.

During the year ended December 31, 2021, we recorded sales of pharmaceutical products and royalty income of RMB11.6 million, primarily from our collaboration with 3D Medicines (the "**Collaboration with 3D Medicines**"). The Group and 3D Medicines entered into a licensing agreement in February 2016 for the joint development and commercialization of KN035. In December 2021, the Group began to sell KN035 in Mainland China. Prior to that, the Group did not sell any products and therefore did not generate revenue from sale of products. For the year ended December 31, 2021, revenue from the sales of KN035 product amounted to RMB4.4 million. Such revenue is recognized by the Group when the goods are delivered and the control of the goods has transferred. For the year ended December 31, 2021, the Group also recognized revenue of RMB7.2 million for sales-based royalty fees primarily generated from licensing KN035 intellectual property under a supplementary agreement entered into between the Group, 3D Medicines and 3D Medicines (Sichuan) in December 2021, pursuant to which the Group is entitled to receive sales-based royalty fees in exchange for the right to use a license of KN035 intellectual property granted to 3D Medicines (Sichuan). The sales-based royalty fees were agreed between the contractual parties and invoiced on quarterly basis with a normal credit term of 30 days. No such revenue was recorded for the year ended December 31, 2020.

For the year ended December 31, 2021, we also recorded revenue of RMB1.6 million for the provision of goods and consumables for R&D projects, primarily because we provided goods and consumables for R&D projects to JMT-Bio during clinical stage. Such revenue is recognized at a point in time when control of the goods has been delivered and acknowledged by JMT-Bio. No such revenue was recorded for the year ended December 31, 2020.

For the year ended December 31, 2021, the Group recognized revenue of RMB12,000 on co-development and commercialization, primarily due to the recognition of a non-refundable upfront payment of RMB10.0 million under the Collaboration with 3D Medicines upon the commencement of commercialization of KN035 in November 2021. As of December 31, 2021, the Group recognized contract liabilities of RMB12.8 million in relation to this performance obligation, in which RMB0.2 million is expected to be recognized as revenue within the next twelve months from the end of the Reporting Period. No such revenue was recorded for the year ended December 31, 2020.

Cost of Sales

The Group's cost of sales primarily consisted of cost of direct labor, manufacturing cost and raw material and manufacturing overhead related to the production of the product sold. For the year ended December 31, 2021, the Group recorded cost of sales of RMB3.0 million primarily attributable to cost to sales of pharmaceutical products of RMB2.1 million, and cost to provision of goods and consumables for R&D projects of RMB0.9 million, while no such cost was recorded for the year ended December 31, 2020.

Other Income

The Group's other income primarily consisted of interest income, government grants income and other miscellaneous income.

For the year ended December 31, 2021, the Group's other income decreased by RMB64.1 million to RMB47.0 million, as compared to RMB111.1 million for the year ended December 31, 2020. Our interest income decreased from RMB64.7 million for the year ended December 31, 2020 to RMB27.8 million for the year ended December 31, 2021, primarily due to the decrease in bank deposits. Our government grants income mainly included subsidies from the PRC local government in support of oncology drug development, which decreased from RMB44.9 million for the year ended December 31, 2020 to RMB13.6 million for the year ended December 31, 2021 primarily because we had fewer new projects and our existing projects were still pending for completion of local government inspection.

Other Losses

The Group's other losses primarily consisted of net exchange losses in relation to the impact of foreign currency translation, offset by the gains on derivative financial instruments.

For the year ended December 31, 2021, we recorded RMB30.6 million of other losses, compared to RMB117.6 million of other losses for the year ended December 31, 2020, mainly arising from unrealized net foreign exchange adjustment as a result of the weakening of certain major currency, in particular, the U.S. dollar, against the RMB, partially offset by a gain of approximately RMB11.0 million related to the investment on derivative financial instrument such as foreign currency forward contracts and option contracts.

R&D Expenses

The Group's R&D expenses primarily comprised of (i) third-party contracting costs related to services provided by contract research organizations, contract manufacturing organizations, clinical trial sites, consultants and other service providers during the R&D of our pipeline products; (ii) staff costs for our R&D staff, including salary, bonus and share option incentives; (iii) raw materials costs in relation to the R&D of our drug candidates; (iv) office rental costs, utilities and depreciation and amortization; and (v) other miscellaneous expenses, which primarily include expenses for patent application registration services and logistics expenses of drug samples for clinical trials.

For the year ended December 31, 2021, our R&D expenses increased by RMB150.2 million to RMB481.4 million, compared to RMB331.2 million for the year ended December 31, 2020, primarily due to (i) the increase in the number of ongoing clinical trials; (ii) the expansion of the scale of our clinical studies; (iii) the advancement of clinical trials of our drug candidates; and (iv) the increase in staff cost due to the increase in our R&D staff. The following table sets forth the breakdown of our R&D expenses by nature for the years indicated.

	For the year ended December 31,			
	2021		2020	
	(RMB in thousands, except percentages)			
Third-party contracting costs	**236,986**	**49.2%**	161,258	48.7%
Staff costs	**95,671**	**19.9%**	65,706	19.8%
Raw material costs	**74,053**	**15.4%**	61,429	18.6%
Office rental costs, utilities, and depreciation and amortization	**47,160**	**9.8%**	31,408	9.5%
Others	**27,491**	**5.7%**	11,440	3.5%
Total	**481,361**	**100.00%**	331,241	100.00%

Administrative Expenses

The Group's administrative expenses primarily comprised staff costs for our administrative staff, including salary, bonus and share option incentives.

Our administrative expenses decreased by RMB0.9 million to RMB77.3 million for the year ended December 31, 2021, from RMB78.2 million for the year ended December 31, 2020, primarily due to the decrease in the share-based payment expenses.

Finance Costs

The Group's finance costs primarily comprised of (i) bank borrowings, (ii) contract liabilities and (iii) lease liabilities related to our leases of office premises and R&D facilities.

Our finance costs amounted to RMB13.2 million for the year ended December 31, 2021, as compared to RMB11.8 million for the year ended December 31, 2020, primarily due to an increase in borrowings utilized for the second and third stage construction of our phase I production lines.

Income Tax Expense

We had unused tax losses of RMB1,814.7 million available for set off against future profits as of December 31, 2021, compared to unused tax losses of RMB1,028.1 million for the year ended December 31, 2020. No deferred tax asset has been recognized in respect of the unused tax losses due to the unpredictability of future profit streams.

For the year ended December 31, 2021, the Group did not incur any income tax expenses.

Loss for the Year

As a result of the above factors, the loss of the Company decreased by RMB15.4 million to RMB412.4 million for the year ended December 31, 2021 from RMB427.8 million for the year ended December 31, 2020.

Property, Plant and Equipment

Property, plant and equipment primarily consisted of our new manufacturing facilities, R&D center and office premises.

Our property, plant and equipment increased by RMB114.1 million to RMB475.1 million as of December 31, 2021, compared to RMB361.0 million as of December 31, 2020, primarily because of the new R&D center and manufacturing equipment for the initiation of the second and third stage construction of our phase I constructing project.

Right-of-use Assets

Under IFRS 16, we recognize right-of-use assets with respect to our property leases. Our right-of-use assets are depreciated over the lease term or the useful life of the underlying asset, whichever is shorter.

Our right-of-use assets increased by RMB23.4 million to RMB55.4 million as of December 31, 2021, compared to RMB32.0 million as of December 31, 2020, primarily due to the renewal of lease agreement with Suzhou Alphamab in 2021 and the increase in the lease area.

Inventories

The Group's inventories consisted of raw materials and other consumables used in the R&D of our drug candidates, work in progress and finished goods.

Our inventories increased by RMB13.6 million to RMB57.9 million as of December 31, 2021, compared to RMB44.3 million as of December 31, 2020, primarily due to the increase in raw materials and other consumables for our R&D activities, and the finished products and semifinished products manufactured for the commercialization of KN035.

Trade Receivables

The Group's trade receivables primarily consisted of trade receivables with contracts with customers. Our trade receivables for the year ended December 31, 2021 amounted to RMB7.6 million as compared to nil for the year ended December 31, 2020, primarily due to the commencement of sales of KN035 in 2021.

Other Receivables, Deposits and Prepayments

The Group's other receivables, deposits and prepayments primarily consisted of (i) other receivables, deposits and prepayments mainly related to prepayments made in connection with our purchase of raw materials and payments to contract research organizations and other third parties for services relating to our clinical trials; (ii) deposits and interest receivables mainly related to our time deposits; and (iii) VAT refundable in connection with the procurement of raw materials, third-party services for our R&D activities, machinery and equipment for our new manufacturing facilities, which can offset the VAT to be incurred upon commercialization.

Our other receivables, deposits and prepayments decreased by RMB15.4 million to RMB103.9 million as of December 31, 2021, compared to RMB119.3 million as of December 31, 2020, primarily due to the decrease in time deposits.

Derivative Financial Instruments

We recorded RMB5.6 million of derivative financial instruments for the year ended December 31, 2021, as compared to RMB5.9 million for the year ended December 31, 2020, primarily because we entered into several foreign exchange forward contracts with banks in order to manage our foreign currency exposure in relation to U.S. dollars against RMB and did not elect to adopt hedge accounting for those contracts.

Cash and Cash Equivalents and Time Deposits with Original Maturity Over Three Months

Our cash and cash equivalents mainly comprised of (i) cash at banks and on hand; and (ii) time deposits within original maturity less than three months. Our cash and cash equivalents increased significantly from RMB185.3 million as of December 31, 2020 to RMB803.3 million as of December 31, 2021, while our time deposits with original maturity over three months decreased from RMB1,835.4 million as of December 31, 2020 to RMB1,128.2 million as of December 31, 2021, primarily because a majority of our time deposits with original maturity over three months turned into deposits with original maturity less than three months as matured over time.

Financial Assets Measured at FVTPL

The Group's financial assets measured at FVTPL mainly represent RMB-denominated wealth management products we purchased from commercial banks in the PRC.

Our financial assets measured at FVTPL increased from RMB43.5 million as of December 31, 2020 to RMB54.0 million as of December 31, 2021, primarily due to the purchase of non-principal-guaranteed wealth management products as our financial investments.

We believe that we can make better use of our cash by utilizing wealth management products to enhance our income without interfering our business operations or capital expenditures. We make investment decisions based on our estimated capital requirements for the next three months and our annual budget, taking into account the duration, expected returns and risks of the wealth management product. We generally limit purchases to low-risk, short-term products from reputable commercial banks. Our finance department is responsible for the purchase of wealth management products, which is reviewed by our senior management team. In the future, we intend to continue taking a disciplined approach regarding purchasing low-risk wealth management products with a short maturity period based on our operational needs.

Trade and Other Payables

The Group's trade and other payables primarily consisted of payables for the construction of our new facilities and the procurement of equipment and machinery for our new facilities. Our trade and other payables also included accrued R&D expenses and staff costs, which largely relate to our clinical studies.

Our trade and other payables increased from RMB121.9 million as of December 31, 2020 to RMB150.0 million as of December 31, 2021, primarily due to the significant increase in the clinical trial fees paid to the clinical trial sites.

Amount Due to a Related Company

Our amount due to a related company, Suzhou Alphamab, increased from RMB3.8 million as of December 31, 2020 to RMB17.0 million as of December 31, 2021. Our amount due to Suzhou Alphamab as of December 31, 2021 was primarily due to the technology development service fees payable to Suzhou Alphamab.

Lease Liabilities

The Group's lease liabilities related to properties we leased for our manufacturing and R&D activities and our office premises. We recognize lease liabilities with respect to all lease agreements in which we are the lessee, except for short term leases and leases of low value assets. For these leases, we generally recognize the lease payments as an operating expense on a straight-line basis over the term of the lease. The lease liability is initially measured at present value that are not paid at the commencement date of the lease and subsequently adjusted by interest accretion and lease payments.

Our lease liabilities increased from RMB13.5 million as of December 31, 2020 to RMB33.5 million as of December 31, 2021, primarily because of the renewal of lease agreement with Suzhou Alphamab and the increase of the total lease area.

Contract Liabilities

We recorded contract liabilities of RMB12.7 million and RMB28.5 million as of December 31, 2020 and 2021, respectively. Our contract liabilities represented the upfront payment of RMB12.8 million that we recognized for co-development and commercialization of KN035 and the upfront payment of RMB15.7 million in relation to our performance obligation of providing goods and consumables for R&D projects to JMT-Bio. Such amounts are our adjustment for the effects of the time value of money at a discount rate of 4.35% per annum and 3.70% per annum, respectively, taking into consideration of the credit characteristics of the Group. We own the right to manufacture and supply KN035 to 3D Medicines (Sichuan) and KN026 to JMT-Bio. As this accrual increases the amount of the contract liabilities during the period of development of KN035, it increases the amount of revenue to be recognized as the Group commences the manufacturing of the product and the transfer of control of goods to our customers for commercialization of KN035. As this accrual increases the amount of the contract liabilities during the period of development of KN026, it increases the amount of revenue to be recognized as the Group satisfies the performance obligation of providing goods and consumables for R&D projects to JMT-Bio.

Liquidity and Source of Funding

Our primary uses of cash were to fund our clinical trials, manufacturing, purchase of equipment and raw materials and other expenses. During the Reporting Period, we primarily funded our working capital requirements through proceeds from the Global Offering, pre-IPO financing and bank borrowings at reasonable market rates. Currently, the Group follows a set of funding and treasury policies to manage its capital resources and prevent risks involved. In order to better control and minimize the cost of funds, the Group's treasury activities are centralized and all cash transactions are dealt with the qualified banks and international banks with good reputation. We closely monitor uses of cash and cash balances and strive to maintain a healthy liquidity for our operations.

As of December 31, 2021, there was a balance of unutilized net proceeds from the Global Offering, pre-IPO financing and bank borrowings. For details on the net proceeds from the Global Offering, please refer to the section headed "Use of Net Proceeds from Global Offering" in this annual report. The Company believes that it has sufficient funds to satisfy our working capital and capital expenditure requirements for 2022.

Borrowings

As of December 31, 2021, our bank borrowings of RMB603.8 million, had effective interest rates of 3.40% to 4.10%. As of December 31, 2021, our bank borrowings were secured by property, plant and equipment of RMB245.8 million and land use rights in our right-of-use assets of RMB21.7 million.

Key Financial Ratios

The following table sets forth the key financial ratios for the periods indicated:

	As of December 31,	
	2021	2020
Current ratio[1]	**3.32**	6.67
Quick ratio[2]	**3.23**	6.54
Gearing ratio[3]	**(0.11)**	0.01

Notes:

(1) Current ratio represents current assets divided by current liabilities as of the same date.

(2) Quick ratio represents current assets less inventories and divided by current liabilities as of the same date.

(3) Gearing ratio is calculated using interest-bearing borrowings less cash and cash equivalents divided by total equity and multiplied by 100%. For the avoidance of doubt, ratio in brackets represents negative number.

Material Investments

The Group did not make any material investments during the year ended December 31, 2021. In addition, there is no plan of the Group for material investments or additions of material capital assets as of December 31, 2021.

Material Acquisitions and Disposals

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

Pledge of Assets

As of December 31, 2021, the Group had a total RMB245.8 million of property, plant and equipment and RMB21.7 million of land use rights pledged to secure its loans and banking facilities.

Contingent Liabilities

As of December 31, 2021, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group that is likely to have a material and adverse effect on our business, financial condition or results of operations.

Foreign Exchange Exposure

During the year ended December 31, 2021, the Group mainly operated in China and a majority of its transactions were settled in RMB, the functional currency of the Company's primary subsidiaries. As of December 31, 2021, a significant amount of the Group's bank balances and cash was denominated in U.S. dollars. 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. Except for certain bank balances and cash, other receivables, trade and other payables, and other financial liabilities denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations as of December 31, 2021.

Employees and Remuneration

As of December 31, 2021, the Group had 459 employees. The total remuneration cost incurred by the Group for the year ended December 31, 2021 was RMB139.0 million, as compared to RMB114.8 million for the year ended December 31, 2020.

The remuneration package of our employees includes salary, bonus and share option incentives, which are generally determined by their qualifications, industry experience, position and performance. We make contributions to social insurance and housing provident funds as required by the PRC laws and regulations.

The Company also has adopted Pre-IPO Share Option Plans, Post-IPO Share Option Scheme and Post-IPO Restricted Share Award Scheme to provide incentives for the Group's employees. Please refer to the section headed "Statutory and General Information – D. Pre-IPO Share Option Plans" in Appendix V to the Prospectus, the Company's circular dated April 22, 2020, the Company's announcements dated March 23, 2021 and October 25, 2021 and the Company's 2020 annual report for further details.

Profiles of Directors and Senior Management

EXECUTIVE DIRECTORS

Dr. XU Ting (徐霆), aged 49, is the founder, the chairman of our Board, an executive Director and the Chief Executive Officer of our Company. Dr. Xu was appointed as a Director and the chairman of the Board on March 28, 2018 and October 31, 2018, respectively. Dr. Xu was re-designated as an executive Director on July 3, 2019. Dr. Xu has been serving as the chief executive officer of our Company since October 1, 2018. Dr. Xu is primarily responsible for overall management of the business strategy, corporate development and R&D of our Group and oversight of the commercial suitability and sustainability of our Group. Dr. Xu is also a director and the general manager of Jiangsu Alphamab.

Dr. Xu has approximately 20 years of experience in pharmaceutical R&D. Prior to founding our Group, from November 2003 to June 2007, Dr. Xu worked at EMD Serono Research Institute Inc. (now part of Merck KGaA). From June 2007 to 2010, Dr. Xu served as senior scientist of Biogen IDEC Inc., a global biotechnology company, the shares of which are listed on NASDAQ (ticker symbol: BIIB). In November 2008, Dr. Xu founded Suzhou Alphamab, the predecessor and a connected person of our Company, and has been serving as a director of Suzhou Alphamab since its incorporation. Dr. Xu currently holds certain positions in our connected persons including a chairman of Suzhou Alphamab, a chairman of Suzhou SmartNuclide Biopharmaceutical Co., Ltd. (蘇州智核生物醫藥科技有限公司) and a chairman of Suzhou BioNovoGene Biotech Co., Ltd. (蘇州帕諾米克生物醫藥科技有限公司). In addition, Dr. Xu also currently serves as a director of Shanghai Kangjing Bioscience Co., Ltd. (上海康景生物醫藥科技有限公司) and a director of Suzhou Oncoimmune Co., Ltd. (蘇州昂康免疫科技有限公司). He also held several positions in Suzhou Dingfu, including the chairman and general manager from November 2011 to July 2018 and the legal representative from November 2011 to September 2018.

Dr. Xu obtained his bachelor's degree in biochemistry from Nanjing University (南京大學) in the PRC in July 1993 and his master's and doctoral degree in molecular biology and Biochemistry from Chinese Academy of Science (中國科學院) in the PRC in December 1997. Dr. Xu was a post-doctoral fellow of Tufts University in the U.S. from January 1998 to October 2000 and a post-doctoral fellow of Harvard University in the U.S. from November 2000 to March 2002. Dr. Xu was awarded the Science and Technology Leading Talent (科技領軍人才) by Suzhou Industry Park Administration Committee (蘇州工業園區管理委員會) in 2009, and was granted the Mayor Award (市長獎) by Suzhou Municipal People's Government (蘇州市人民政府) in 2017. Dr. Xu won the sixth "Suzhou Outstanding Talent Award" awarded by the Suzhou Municipal Government in July 2020. Dr. Xu is the spouse of Ms. Liu.

Ms. LIU Yang (劉陽), aged 50, was appointed as our Director on October 31, 2018 and re-designated as our executive Director on July 3, 2019. She was also appointed as the Vice President, Corporate Operations of our Company on October 1, 2018. Since joining our Group, Ms. Liu has participated in the daily operations of our Group and is primarily responsible for corporate operations and management, including human resources, administration and supply chain of the Group. Ms. Liu also holds several positions with other members of our Group including a vice president of Jiangsu Alphamab and a director of Alphamab Australia.

Ms. Liu has extensive experience in the biotechnology industry and worked as a physician for four years. Prior to joining our Group, Ms. Liu served as an attending physician in internal medicine at the First People's Hospital of Lianyungang City (連雲港第一人民醫院) from July 1994 to July 1997. From March 1999 to May 2001, she worked at Ironwood Pharmaceuticals, Inc. (formerly known as Microbia, Inc.). Ms. Liu also worked at ImmunoGen. Inc. from 2003 to 2010. She also served as a vice president of Suzhou Dingfu. Ms. Liu was awarded as one of 2020 China Top 50 Women in Technology by Forbes China in July 2020.

Ms. Liu obtained her bachelor's degree in medicine from Xuzhou Medical University (徐州醫科大學) in the PRC in July 1994. Ms. Liu is the spouse of Dr. Xu.

NON-EXECUTIVE DIRECTORS

Mr. XU Zhan Kevin (許湛), aged 40, was appointed as our Director on November 8, 2018 and re-designated as our non-executive Director on July 3, 2019. Mr. Xu is primarily responsible for participating in formulating our Company's corporate and business strategies.

Mr. Xu currently serves as a managing director with PAG Asia Capital, an affiliate of PAG (formerly known as Pacific Alliance Group), where Mr. Xu has been a member since September 2011. In addition, Mr. Xu holds positions in the following companies including a director of Zhejiang Hisun BioRay Bio-pharmaceutical Co.,Ltd. (浙江海正博銳生物製藥有限公司) since September 2019, a director of Sinopharm Rosino (Shanghai) Commercial Factoring Co., Ltd. (國藥融匯(上海)商業保理有限公司) since October 2018, a director of Shenzhen Samoyed Financial Services Co., Ltd. (深圳薩摩耶互聯網金融服務有限公司) since September 2018, a director of Shenzhen Qianhai Dadao Financial Services Co., Ltd. (深圳前海大道金融服務有限公司) since December 2016, a director of Inner Mongolia Youran Dairy Co., Ltd. (內蒙古優然牧業有限責任公司) since December 2015 and a director of Shenzhen Qianhai Dashu Financial Services Co., Ltd. (深圳前海大數金融服務有限公司) since November 2015. From January 2006 to August 2007, Mr. Xu worked at Morgan Stanley Asia Limited, where he was responsible for consulting services for corporate securities issuance and mergers and acquisitions. From August 2007 to June 2009, Mr. Xu served as an associate of TPG Capital Limited. From November 2009 to August 2011, Mr. Xu served as a senior associate in the investment general team of Apax Partners Hong Kong Limited.

Mr. Xu obtained his bachelor's degree in electronic information engineering from Zhejiang University (浙江大學) in the PRC in June 2003. He later obtained his master's degree in management science and engineering from Stanford University in the U.S. in January 2006.

Mr. QIU Yu Min (裘育敏), aged 49, was appointed as our Director on October 31, 2018 and re-designated as our non-executive Director on July 3, 2019. Mr. Qiu is primarily responsible for participating in formulating our Company's corporate and business strategies.

Prior to joining our Group, Mr. Qiu has over 15 years of experience in medical and healthcare advisory and investment industry. From March 2014 to June 2021, Mr. Qiu served as a director of Arrail Group Limited, the shares of which currently are listed on the Stock Exchange (stock code: 6639). From November 2015 to January 2022, Mr. Qiu served as a director of Shanghai Wiwide Ukang Network Technology Co., Ltd. (上海邁外迪佑康網絡科技有限公司), a company focusing on providing wireless external network solutions and value-added services to China's high-class public health institutions. Since September 26, 2018, he has served as a director of TOT Biopharm International Company Limited (東曜藥業股份有限公司), the shares of which are listed on the Stock Exchange (stock code: 1875) and is currently a non-executive director and a member of audit and connected transactions review committee of TOT Biopharm International Company Limited. Mr. Qiu also holds directorship in the following companies including Heal Force Bio-Meditech Holdings Limited, Shenzhen Huakang Quanjing Information Technology Co., Ltd. (深圳市華康全景信息技術有限公司), HBM Holdings Limited, KBP Biosciences Holdings Limited, Shandong Henry Pharmaceutical Technology Co., Ltd. (山東亨利醫藥科技有限責任公司), Zhejiang Daoming Pharmaceutical Technology Co., Ltd. (浙江導明醫藥科技有限公司), Sinovac Life Sciences Co., Ltd. (北京科興中維生物技術有限公司), Synermore holdings limited, a Taiwan-based biotechnology company, OncoNano Medicine Inc., Ablaze Pharmaceuticals and Applied StemCell Inc., a biotechnology company headquartered in the United States. He is also the legal representative and a director of Hainan Shangcheng Investment Consulting Co., Ltd. (海南尚珹投資諮詢有限公司) (previously known Zhuhai Shangcheng Investment Consulting Co., Ltd. (珠海尚珹投資諮詢有限公司)).

Prior to joining our Group, Mr. Qiu worked at Vancouver Coastal Health Authority until 2007. From April 2007 to May 2010, he served as a manager of the healthcare advisory team of PricewaterhouseCoopers Consultants (Shenzhen) Ltd. Beijing Branch (普華永道諮詢(深圳)有限公司北京分公司), where he was responsible for providing consulting services in the medical industry. From May 2010 to April 2013, Mr. Qiu served as the vice president in investment department of GL Capital (德福資本), where he was responsible for investment in healthcare industry. From May 2013 to December 2015, Mr. Qiu held multiple positions in New Horizon Capital (新天域資本) including a director and an executive director. Mr. Qiu was an executive director of Advantech Capital (尚珹投資) from January 2016 to September 2017 and has been serving as a partner of Advantech Capital since October 2017.

Mr. Qiu obtained his bachelor's degree in power engineering from East China University of Technology (華東工業大學) in the PRC in July 1994. He obtained his master's degree in business management in finance from University of British Columbia in Canada in May 2004. Mr. Qiu has been a chartered financial analyst conferred by the Chartered Financial Analyst Institute since 2007 and a certified management analyst conferred by the Institute of Management Accountants since May 2006.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. GUO Zijian (郭子建), aged 60, was appointed as an independent non-executive Director on August 27, 2021. Dr. Guo is primarily responsible for supervising and providing independent judgement to our Board.

Dr. Guo has been serving as a professor of School of Chemistry and Chemical Engineering of Nanjing University (南京大學化學化工學院) since May 1999. From October 1996 to April 1999, he was a research associate at the University of Edinburgh in the United Kingdom. Dr. Guo was granted the Outstanding Achievement Award by Asian Society of Biological Inorganic Chemistry (亞洲生物無機化學會) in October 2020. He won the Luigi Sacconi Medal from the Italian Chemical Society in September 2016. Dr. Guo was awarded the First Prize of China's State Natural Science Award (國家自然科學一等獎) by Ministry of Education of the People's Republic of China (中華人民共和國教育部) in February 2016.

Dr. Guo received his doctor degree from the University of Padova in Italy in September 1994 and worked as a postdoctoral research fellow at Birkbeck College of the University of London in the United Kingdom until June 1996.

Mr. WEI Kevin Cheng (蔚成), aged 54, was appointed as an independent non-executive Director on November 24, 2019. Mr. Wei's main responsibility includes serving as the chairman of the Audit Committee.

Mr. Wei is currently a managing partner of Fontainburg Corporation Limited, a corporate finance advisory firm. Mr. Wei has been serving as an independent non-executive director and the chairman of audit and compliance committee of Nexteer Automotive Group Limited, a company listed on the Stock Exchange (stock code: 1316) since June 2013.

Mr. Wei's prior directorship in listed companies include:

- a non-executive director of Tibet Water Resources Ltd. ("**Tibet Water Resources**"), a company listed on the Stock Exchange (stock code: 1115), from October 2020 to June 2021. He ceased to be the chairman of the board of directors and the nomination committee and a member of the remuneration committee of Tibet Water Resources in June 2021. He previously served as an independent non-executive director, the chairman of audit committee, a member of remuneration committee and nomination committee and risk management committee between March 2011 and October 2020.

- an independent director and the chairman of audit committee of Alpha Peak Leisure Inc., a company listed on the Toronto Stock Exchange (TSX-V: AAP), from November 2017 to June 2020.

- an independent director and the chairman of audit committee of the board of Hunter Maritime Acquisition Corp., which was delisted from NASDAQ in 2019, from April 2019 to July 2019;

Mr. Wei also served as the chief financial officer of IFM Investments Limited, a real estate services company headquartered in Beijing, from December 2007 to September 2013. IFM Investments Limited was delisted from NYSE in 2015. Prior to that, from July 2006 to October 2007, Mr. Wei served as the chief financial officer of Solarfun Power Holdings Co., Limited (ticker symbol: SOLF), a NASDAQ listed solar company (currently known as Hanwha SolarOne Co., Ltd. and relisted on NASDAQ as Hanwha SolarOne (ticker symbol: HSOL)). From September 2003 to July 2005, Mr. Wei served as the head of internal audit for LG.Philips Displays International Ltd.

Mr. Wei became a member of the American Institute of Certified Public Accountants in February 1999. He graduated in June 1991 from Central Washington University in the U.S., where he received his bachelor's degree in science (cum laude) with a double major in accounting and business administration.

Mr. WU Dong (吳冬), aged 52, was appointed as an independent non-executive Director on November 24, 2019. Mr. Wu is primarily responsible for supervising and providing independent judgement to our Board.

Mr. Wu is currently serving as a venture partner at 6 Dimensions Capital (蘇州通和毓承投資合夥企業(有限合夥)), a leading venture capital firm specializing in the healthcare industry to invest in companies in their early stages of formation or progress for development. He is also the founder and an executive director of Shanghai Jiuben Technology Co., Ltd. (上海究本科技有限公司). Prior to joining 6 Dimensions Capital, Mr. Wu had worked for Johnson & Johnson (a company listed on the NYSE, stock code: JNJ) for over 10 years from August 2007 to March 2018 and served different positions including the head of Asia Pacific Innovation Center, a vice president of global engineering and emerging market R&D, the Emerging Market Innovation Centre Leader, a vice president of Research Development & Engineering, Asia Pacific and a senior director of emerging market R&D.

Mr. Wu received his bachelor's degree in applied chemistry from Fudan University (復旦大學) in the PRC in July 1992 and an executive master of business administration from China-Europe International Business School (中歐國際商學院) in the PRC in September 2005.

SENIOR MANAGEMENT

Dr. XU Ting (徐霆) is the chairman of the Board, Chief Executive Officer and an executive Director. Please see "Executive Directors" section on pages 48 to 49 for details of his biography.

Mr. HAN Jing (韓淨), aged 48, was appointed as our chief commercial officer on November 2, 2021. Mr. Han is primarily responsible for the commercial promotion of our Company.

Mr. Han has over 20 years of working experience in pharmaceutical sales and marketing of multiple multinational pharmaceutical companies. Prior to joining our Group, Mr. Han served as senior vice president of Genor Biopharma Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 6998), primarily responsible for the establishment of its marketing team and various commercialization matters. From October 2018 to August 2020, Mr. Han served as vice general manager of Shanghai Junshi Biosciences Co., Ltd., the shares of which are listed on the Stock Exchange (stock code: 1877), during which he established the marketing department and was primarily responsible for sales and marketing. Prior to that, Mr. Han once served as senior sales director of Shanghai Roche Pharmaceutical Co., Ltd. (上海羅氏製藥有限公司). From 1998 to 2011, Mr. Han was responsible for regional sales and marketing in multiple multi-national pharmaceutical companies, including Bayer Healthcare Company Limited (拜爾醫藥保健有限公司), AstraZeneca Pharmaceutical Co., Ltd. (阿斯利康製藥有限公司) and Hangzhou MSD Pharmaceutical Co., Ltd. (杭州默沙東製藥有限公司), etc.

Mr. Han received his executive master degree of business administration from China Europe International Business School in China, and his bachelor's degree from the department of clinical medicine of Shanghai Second Medical University (上海市第二醫科大學) (currently known as Shanghai Jiao Tong University School of Medicine (上海交通大學醫學院)) in China.

Save as disclosed above, none of our Directors and senior management held any directorship in any public companies the shares of which are listed in the Stock Exchange or overseas stock markets during the three years prior to the date of this annual report.

To the best of the Board's knowledge, information and belief, save as disclosed in the annual report, our Directors and senior management do not have any relationship amongst them.

JOINT COMPANY SECRETARIES

Ms. WANG Jin'nan (王晉南), aged 39, the director of investor relations, was appointed as a joint company secretary and authorized representative of the Company on December 7, 2020.

She has over ten years of experience in financing, investment and investor relationship management. Ms. Wang graduated from the Jilin University with a master's degree in Economics. Prior to joining the Company, she has been a manager of Duff & Phelps, primarily responsible for providing fairness opinion on equity transactions, financing, mergers and acquisitions and investment. She has also served as investor relationship director and manager of two companies listed on the Stock Exchange.

Ms. Chan Lok Yee (陳樂而) was appointed as one of our joint company secretaries on July 20, 2020. Ms. Chan is a manager of Corporate Services of Vistra Corporate Services (HK) Limited. She has over eight years of experience in providing a full range of company secretarial and compliance services to private and listed companies. Ms. Chan obtained a bachelor's degree in arts from The Hong Kong Polytechnic University and a master's degree of science in professional accounting and corporate governance from The City University of Hong Kong. She has been an associate member of The Hong Kong Institute of Chartered Secretaries (now known as The Hong Kong Chartered Governance Institute) and an associate member of The Institute of Chartered Secretaries and Administrators (now known as The Chartered Governance Institute) in the United Kingdom since 2015.

CHANGES TO DIRECTORS' INFORMATION

Save as disclosed herein, the Directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Corporate Governance Report

The Board presents this corporate governance report in the Group's annual report for the year ended December 31, 2021.

CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the principles and code provisions of the Corporate Governance Code as the basis of the Company's corporate governance practices.

For the year ended December 31, 2021, the Company has complied with all applicable code provisions set out in the Corporate Governance Code except for the deviations from code provision C.2.1 of the Corporate Governance Code.

Pursuant to code provision C.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. Dr. Xu currently serves as the chairman of the Board and the chief executive officer of the Company. He is the founder of the Group and has been operating and managing the Group since its establishment. Our Directors believe that it is beneficial to the business operations and management of the Group that Dr. Xu continues to serve as both the chairman of the Board and the chief executive officer of the Company.

The Company regularly reviews its compliance with corporate governance codes and the Board believes that save as disclosed above, the Company was in compliance with the applicable code provisions of the Corporate Governance Code for the year ended December 31, 2021.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code. Specific enquiries have been made to all Directors and the Directors have confirmed that they have complied with the Model Code for the year ended December 31, 2021.

The Company's relevant employees, who are likely to be in possession of unpublished price-sensitive information ("**Inside Information**") of the Company, have also been subject to the Model Code. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company for the year ended December 31, 2021.

The Company has also established a policy on Inside Information to comply with its obligations under the SFO and the Listing Rules. In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors and relevant employees in advance.

BOARD OF DIRECTORS

The Board currently comprises two executive Directors, two non-executive Directors and three independent non-executive Directors.

The composition of the Board is as follows:

Executive Directors:

Dr. XU Ting (徐霆) *(Chairman of the Board and Chief Executive Officer)*
Ms. LIU Yang (劉陽)

Non-Executive Directors:

Mr. XU Zhan Kevin (許湛)
Mr. QIU Yu Min (裘育敏)

Independent Non-Executive Directors:

Dr. GUO Zijian (郭子建) *(appointed on August 27, 2021)*
Mr. WEI Kevin Cheng (蔚成)
Mr. WU Dong (吳冬)
Dr. Jiang Hualiang (蔣華良) *(resigned on August 27, 2021)*

The biographical details of the Directors are set out in the section headed "Profiles of Directors and Senior Management" on pages 48 to 54 of this annual report.

Save that Dr. Xu and Ms. Liu Yang are spouse, none of the members of the Board is related to one another.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision C.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

The Company does not have separate chairman of the Board and chief executive officer, and Dr. Xu, the executive Director currently performs these two roles. The Board believes that vesting the roles of both chairman of the Board and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and the chief executive officer of the Company at a time when it is appropriate by taking into account the circumstances of the Group as a whole.

BOARD MEETINGS

Code provision C.5.1 of the Corporate Governance 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 communication.

Attendance record of Directors

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 during the Director's tenure for the year ended December 31, 2021					
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Strategy Committee**	**Annual Genera Meeting**
Executive Directors:						
Dr. XU Ting	4/4	N/A	N/A	2/2	1/1	1/1
Ms. LIU Yang	4/4	N/A	2/2	N/A	1/1	1/1
Non-executive Directors:						
Mr. XU Zhan Kevin	4/4	N/A	N/A	N/A	1/1	1/1
Mr. QIU Yu Min	4/4	2/2	N/A	N/A	N/A	1/1
Independent Non-executive Directors:						
Dr. GUO Zijian[Note] (appointed on August 27, 2021)	1/1	N/A	N/A	N/A	N/A	N/A
Mr. WEI Kevin Cheng	4/4	2/2	2/2	N/A	N/A	1/1
Mr. WU Dong	4/4	2/2	2/2	2/2	N/A	1/1
Dr. JIANG Hualiang[Note] (resigned on August 27, 2021)	2/3	N/A	N/A	1/2	1/1	1/1

Note: The Director's attendance refers to the number of Board meetings held during his tenure.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

For the year ended December 31, 2021, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Board has received from each of the independent non-executive Directors a written annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers each of them to be independent.

Save for Dr. GUO Zijian, 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 November 24, 2019 or until the third annual general meeting of the Company since the Listing Date (whichever is sooner). Dr. GUO Zijian has signed a letter of appointment with the Company for an initial term of three years with effect from August 27, 2021, the details of which are set set forth in the Company's announcement dated August 27, 2021. Independent non-executive Directors are required to inform the Company if there is any change that may affect his/her independence.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

Code Provision B.2 of the Corporate Governance Code stipulates that all directors should be subject to re-election at regular intervals. Code Provision B.2.2 of the Corporate Governance Code further states that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Each of the Directors, including non-executive Directors, is appointed for a term of three years and is subject to retirement by rotation once every three years.

Pursuant to Article 84(1) of the Articles of Association, 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 and be eligible for re-election at each annual general meeting, provided that every Director is subject to retirement by rotation at least once every three years. In addition, any new Director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting and be subject to re-election.

Accordingly, Dr. XU Ting, Mr. XU Zhan Kevin, Mr. QIU Yu Min and Dr. GUO Zijian shall retire at the AGM and, being eligible, will offer themselves for re-election pursuant to Article 84(1) of the Articles of Association.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board is responsible for making all major decisions of the Company including the approval and monitoring of all major policies of the Group and overall strategies, internal control and risk management systems, notifiable and connected transactions, nomination of the Directors and joint company secretaries, and other significant financial and operational matters.

All of the Directors have full and timely access to all relevant information as well as the advice and services of the joint company secretaries, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Each Director is entitled to seek independent professional advice in appropriate circumstances at the Company's expense.

The day-to-day management, administration and operation of the Company are delegated to the senior management. The delegated functions are periodically reviewed. Approval must be obtained from the Board before any significant transaction is entered into.

BOARD COMMITTEES

The Board has established four committees, namely, the Audit Committee, the Remuneration Committee, the Nomination Committee, and the Strategy Committee for overseeing particular aspects of the Company's affairs. Each of these committees is established with defined written terms of reference. The terms of reference of the Board committees are available for viewing on the websites of the Company and the Stock Exchange.

Audit Committee

The Listing Rules require every listed issuer to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Company has established the Audit Committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code, and has formulated its written terms of reference, which have from time to time been modified, in accordance with the prevailing provisions of the Corporate Governance Code.

The Audit Committee comprises two independent non-executive Directors and one non-executive Director, namely Mr. WEI Kevin Cheng, Mr. WU Dong and Mr. QIU Yu Min. Mr. WEI Kevin Cheng, being the chairman of the committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules. The principal duties of the Audit Committee include, among others, the review and supervision of the Group's financial information; review of the Group's financial information; review of the relationship with the external auditor of the Company; and performance of the corporate governance functions delegated by the Board.

The Group's interim results and interim report for the six months ended June 30, 2021 and annual results for the year ended December 31, 2021 have been reviewed by the Audit Committee and the annual results have also been audited by the independent auditor of the Company, Messrs. Deloitte Touche Tohmatsu. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company during the Reporting Period.

The Audit Committee held two meetings during the Reporting Period.

Remuneration Committee

We have established a remuneration committee in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The primary duties of the Remuneration Committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management, to engage in assessing performance of executive directors, and to review and approve the compensation payable to executive directors and senior management in accordance with service contracts. The Remuneration Committee comprises one executive Director and two independent non-executive Directors, namely Mr. WU Dong, Ms. LIU Yang and Mr. WEI Kevin Cheng. Mr. WU Dong is the chairman of the committee.

The Remuneration Committee has reviewed policy and structure for the remuneration of the Directors and senior management of the Company and remuneration proposal of the Directors and senior management of the Company for the year ended December 31, 2021 during the Reporting Period.

The Remuneration Committee held two meetings during the Reporting Period.

Nomination Committee

We have established a nomination committee in compliance with Rule 3.27A of the Listing Rules and the Corporate Governance Code. The primary duties of the Nomination Committee are to make recommendations to our Board regarding the appointment of Directors and Board succession. The Nomination Committee comprises one executive Director and two independent non-executive Directors, namely Dr. Xu, Dr. GUO Zijian and Mr. WU Dong. Dr. Xu is the chairman of the committee.

The Nomination Committee has reviewed the structure, size and composition of the Board, assessed the independence of the independent non-executive Directors, recommended the re-appointment of the Directors standing for re-election at the annual general meeting of the Company and reviewed the board diversity policy and nomination policy of the Company during the Reporting Period.

The Nomination Committee held two meetings during the Reporting Period.

The nomination policy was approved and adopted by the Board on November 24, 2019 for evaluating and selecting any candidate for directorship. The Nomination Committee would consider the following criteria, including, among other things, character and integrity, qualifications (cultural and educational background, professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy (as defined below)), any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and diversity, and willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s).

The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship. The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship with a ranking of the candidates (if applicable) by order of preference based on the needs of the Company and reference check of each candidate.

Strategy Committee

We have established a strategy committee. The primary duties of the Strategy Committee are to review and advise on our mid to long term strategic positioning and development plans and to monitor the implementations of our development plans. The Strategy Committee comprises two executive Directors, one non-executive Director and one independent non-executive Director, namely Ms. LIU Yang, Dr. Xu, Dr. GUO Zijian and Mr. XU Zhan Kevin. Ms. LIU Yang is the chairman of the committee.

The Strategy Committee has reviewed the Company's medium-term and long-term strategic goals and development plans of the business goal of the Company during the Reporting Period.

The Strategy Committee held one meeting during the Reporting Period.

DIVERSITY POLICY

Board Diversity

The composition and diversity of the Board were considered by adopting the Company's board diversity policy ("**Board Diversity Policy**") including the necessary balance of skills and experience appropriate for the requirements of the business development of the Company and for effective leadership. The Board Diversity Policy has been reviewed by the Board on an annual basis. All the executive and non-executive Directors possess extensive and diversified experience in management and broad industrial experience. The three independent non-executive Directors possess professional knowledge and broad and extensive experience in finance, accountancy, business advisory and management, respectively. A summary of the Board Diversity Policy is set out below:

1. *Purpose*

   The Board Diversity Policy aims to set out the approach to achieve diversity of the Board and enable the Board to comply with the Corporate Governance Code.

2. *Board Diversity Policy Statement*

   The Company considers increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from several aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

3. *Measurable Objectives*

   In reviewing the structure, size, composition and diversity of the Board, the Nomination Committee has considered the measurable objectives as set out in the Board Diversity Policy. Our Board has a balanced mix of knowledge and skills, including knowledge and experience in the areas of biotechnology and business management. They obtained degrees in various majors including biochemistry, medicine, management, engineering, finance, accounting, business administration. Furthermore, our Board has a wide range of age, ranging from 40 years old to 60 years old. Currently, the Board has one female director, Ms. LIU Yang, as our executive Director. The Nomination Committee is of the view that the diversity level of the Board is appropriate in terms of knowledge, experience and skills of the directors. The Nomination Committee will continue to observe the Board Diversity Policy and consider potential candidates against the objective criteria set out in the Board Diversity Policy in order to achieve increasing diversity at the Board level. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Board will review the Board Diversity Policy on a regular basis to ensure its continued effectiveness. The Company has also taken, and will continue to take steps to promote gender diversity at all levels of the Company, including but not limited to the Board and senior management levels. While we recognize that gender diversity at the Board level can be further improved, the Company will keep an eye on female candidates who have extensive work experience in the biotechnology industry, especially candidates who are familiar with commercialization and general business operations of public companies, to be the potential successor to the Board. To further enhance Board gender diversity, we expect to increase the number of our female Directors by the end of 2025. The Company will (i) make appointments based on merits with reference to Board diversity as a whole; (ii) consider the possibility of nominating female management staff who has the necessary skills and experience to our Board; (iii) provide career development opportunities and more resources in training female staff with the aim of promoting them to the senior management or our Board; and (iv) endeavor to ensure there is gender diversity when recruiting staff at a mid to senior level so that we will have a pipeline of female senior management and potential successors to our Board in the next few years. The Board believes that such merit-based appointments will best enable the Company to serve its shareholders and other stakeholders going forward. The Board will give adequate consideration to the Board Diversity Policy when it identifies suitably qualified candidates to become members of the Board.

Diversity at Work Force

We strive to provide a platform with equal opportunities for all our employees as we value the experience and knowledge of our senior staff as well as the passion and adaptability of the younger staff. To build a healthy talent pipeline in preparing for the Group's continuous business expansion, we emphasize the importance for our new hires to be selected through robust, fair and transparent recruitment process, based on their merits and their potential. We also believe that unreasonable dismissal under any circumstances is unacceptable and is prohibited at the Group. The causes of dismissal are included but not limiting to, in our employee handbook which stipulated detail list of major offences which we regard as legitimate reason for dismissal.

Our employment profile as at December 31, 2021 is as follows:

Workforce as at December 31, 2021	No. of Headcount	Percentage of Total Headcount
By Gender		
Male	226	49%
Female	233	51%
By Age Group		
18 - 30 years old	182	40%
30 - 50 years old	270	59%
over 50 years old	7	1%

Our Company is committed to providing all the job applicants and staff with equal opportunities for employment, without tolerance of any discrimination over gender, age, ethnicity, nationality and disability. The Group recruits workforce in strict compliance with local laws and regulations. Moreover, we emphasize the protection of females' rights and interests as part of our management principle and also provide more comfortable and flexible employment arrangements and holiday benefits for our female staff. As the employment profile as at December 31, 2021 above shows, the male-to-female ratio of workforce in our Company was around 50%, and we will continue to make sure such ratio remains at a balanced level.

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for determining corporate governance policy of the Company performing the functions set out in Code Provision E of the Corporate Governance Code. Such duties have been delegated to the Audit Committee.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, and the Company's compliance with the Corporate Governance Code, the Company's code of conduct applicable to its employees and Directors, and disclosure in its Corporate Governance Report during the Reporting Period.

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

DIVIDEND POLICY

The Company has adopted a dividend policy (the "**Dividend Policy**") in accordance with the Corporate Governance Code. The Company does not have any pre-determined dividend payout ratio and intends to retain most, if not all, of available funds and any future earnings to operate and expand the business of the Company. Dividends may only be declared and paid out of the profits of the Company, realized or unrealized, or from any reserve set aside from profits which the Directors determine is no longer needed. All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed. Any dividend or bonuses unclaimed after a period of six years from the date of declaration shall be forfeited and shall revert to the Company.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

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

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors keep abreast of the responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

The Directors are continually provided with information relating to the developments in the legal and regulatory regime and the business and market environments to facilitate the execution of their responsibilities. Continuing briefings and professional development for the Directors were arranged by the Company and its professional advisors.

For the year ended December 31, 2021, all of the Directors, namely, Dr. Xu, Ms. LIU Yang, Mr. XU Zhan Kevin, Mr. QIU Yu Min, Dr. GUO Zijian, Mr. WEI Kevin Cheng and Mr. WU Dong participated in a training session conducted by our legal advisor as to Hong Kong law, on connected transactions, corporate governance and continuing obligations of listed companies and its directors.

AUDITOR'S RESPONSIBILITY AND REMUNERATION

The Company appointed Deloitte as the external auditor for the year ended December 31, 2021. A statement by Deloitte about their reporting responsibilities for the financial statements is included in the Independent Auditor's Report on pages 104 to 106.

Details of the fees paid/payable in respect of the audit and non-audit services provided by Deloitte 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	
Annual audit services	2,414
Sub-total	2,414
Non-audit service	
Tax advising services	86
Environmental, social and governance advisory services	189
Sub-total	275
Total	2,689

RISK MANAGEMENT AND INTERNAL CONTROLS

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

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives and establishing and maintaining appropriate and effective risk management and internal control systems. The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Board has delegated the Audit Committee with the responsibility to oversee the risk management and internal control systems of the Group on an on-going basis and to review the effectiveness of the systems annually. The review covers all material controls, including financial, operational and compliance controls.

The Group has also established a set of internal control procedures and system and adopted corporate governance practices to facilitate the effectiveness operation of our business. The Group has adopted an information disclosure policy which sets out comprehensive guidelines in respect of handling and dissemination of inside information.

The Company is committed to excellence and continual improvement and will continue to encourage innovation while maintaining a low-risk profile. Employees are encouraged to adopt a positive approach to risk management, which further strengthens the risk-aware culture (as opposed to risk-adverse culture) of the Group. Our employee handbook which is accessible to all employees covers policies and procedures related to compensation and dismissal, recruitment and promotion, working hours, rest periods, diversity, anti-discrimination, whistleblowing, benefits and welfare, training and development, anti-corruption and code of conduct. The Company has established (i) in confidence and anonymity, a whistleblowing policy and system for employees and our business partners to address their concerns, and (ii) policies and systems that promote and support anti-corruption laws and regulations. Risk management is incorporated into the strategic and operational processes at all levels within the Group in order to minimize the impact of risk. Opportunities and risks are identified and are proactively assessed and monitored by employees on an on-going basis.

The Group has established an internal audit function to carry out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems. Relevant personnel have been designated to be responsible for identifying and monitoring the Group's risks and internal control issues and reports directly to the Board of any findings and follow-up actions. Each member of the Group is required to adhere strictly to the Group's internal control procedures and report to the internal audit team of any risks or internal control measures.

The risk management and internal control systems as well as the effectiveness of the internal audit function for the Group was reviewed by the internal consultant of the Company prior to the Company's listing on the Main Board of the Stock Exchange and has been reviewed by the Audit Committee and the internal auditor for the Reporting Period. No significant deficiency was located and no material issue was noted or discussed, which required management's attention. The Board is of the view that the risk management and internal control systems for the Reporting Period are effective and adequate.

Going forward, the Board, to be supported by the Audit Committee as well as the management report and the internal audit findings, will continue to review the effectiveness of the risk management and internal control systems of the Group, including the financial, operational, compliance controls and risk management annually. The annual review will also cover the financial reporting and staff qualifications, experience and relevant resources.

Arrangements are in place to facilitate employees of the Group to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Group.

JOINT COMPANY SECRETARIES

Ms. WANG Jin'nan, the joint company secretary of the Company, is responsible for advising the Board on corporate governance matters and ensuring that Board policy and procedures, and applicable laws, rules and regulations are followed.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company has also engaged Ms. CHAN Lok Yee, a manager of the corporate services department of Vistra Corporate Services (HK) Limited, as the joint company secretary to assist Ms. WANG Jin'nan in discharging the duties of a company secretary of the Company. Her primary contact person at the Company is Ms. WANG Jin'nan, the joint company secretary of the Company.

During the year ended December 31, 2021, Ms. WANG Jin'nan and Ms. CHAN Lok Yee complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of the relevant professional training during the year.

SHAREHOLDERS' RIGHTS

Convening of Extraordinary General Meetings by Shareholders

Pursuant to Article 58 of the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company for the transaction of any business specified in such requisition.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves may convene the general meeting 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 them by the Company.

Putting Forward Proposals at General Meetings

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

As regards the procedures for Shareholders to propose a person for election as a Director, they are available on the Company's website at **http://www.alphamabonc.com/**.

Putting Forward Enquiries to the Board and Contact Details

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

Shareholders may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong at Room 1901, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong by post with attention to Ms. CHAN Lok Yee/Ms. WANG Jin'nan, the Joint Company Secretaries or email to ir@alphamabonc.com, for the attention of the Joint Company Secretaries.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavors to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the forthcoming annual general meeting, Directors (or their delegates as appropriate) will be available to meet Shareholders and answer their enquiries.

To promote effective communication, the Company maintains a website at **http://www.alphamabonc.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

During the Reporting Period, the Company did not make any significant changes to its constitutional documents. A latest version of the Articles of Association is available on the websites of the Company and the Stock Exchange.

GOING CONCERN

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to the Shareholders through the optimization of the debt and equity balance.

There are no material uncertainties relating to events or conditions that cast significant doubt upon the Company's liability to continue as a going concern.

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

BOARD OF DIRECTORS

The Board currently comprises two executive Directors, two non-executive Directors and three independent non-executive Directors.

The Directors during the year ended December 31, 2021 and up to the date of this annual report were:

Executive Directors:

Dr. XU Ting (徐霆) *(Chairman of the Board and Chief Executive Officer)*
Ms. LIU Yang (劉陽)

Non-Executive Directors:

Mr. XU Zhan Kevin (許湛)
Mr. QIU Yu Min (裘育敏)

Independent Non-Executive Directors:

Dr. GUO Zijian (郭子建) *(appointed on August 27, 2021)*
Mr. WEI Kevin Cheng (蔚成)
Mr. WU Dong (吳冬)
Dr. Jiang Hualiang (蔣華良) *(resigned on August 27, 2021)*

GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on March 28, 2018 as an exempted limited liability company under the laws of the Cayman Islands. The Company's Shares were listed on the Main Board of the Stock Exchange on December 12, 2019.

PRINCIPAL ACTIVITIES

We are a leading biopharmaceutical company in China with a fully-integrated proprietary biologics platform in bispecifics and protein engineering. Our mission is to deliver world-class innovative therapeutic biologics to treat patients globally by applying our unique drug discovery and development capabilities. We believe our unique drug discovery and development capabilities are demonstrated by our strong R&D track record and supported by our proprietary technologies, platforms and expertise.

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 on page 107 of this annual report.

BUSINESS REVIEW

A fair review of the business of the Group as required by Schedule 5 to the Companies Ordinance, 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 is set out in the section headed "Important Events After the Reporting Period "in this annual report. The discussion of the Company's key relationships with its employees, customers, suppliers and others that have a significant impact on the Company is set out in the section headed "Key Relationships with the Stakeholders" 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:

- we may be unable to obtain regulatory approval for our drug candidates;
- clinical drug development involves a lengthy and expensive process with uncertain outcomes, and we may be unable to commercialize our drug candidates on a timely basis;
- if our drug candidates fail to demonstrate safety and efficacy to the satisfaction of regulatory authorities or do not otherwise produce positive results, we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of our drug candidates;
- we may not be able to identify, discover or develop new drug candidates;
- we have incurred significant net losses since inception and expect to continue to incur losses, and may never achieve or maintain profitability;
- we may need to obtain substantial additional financing to fund our operations;
- we may not be successful in developing, enhancing or adapting to new technologies and methodologies;
- we have very limited experience in commercializing drug candidates;
- we may not be able to obtain sufficient patent protection for our drug candidates;

- we have collaborated with third parties in the development of drug candidates and combination therapies and may seek collaboration opportunities and strategic alliances in the future; and

- the epidemic of COVID-19 may have potential impacts on our business, including but not limited to the advancement of clinical trials, approval of regulatory registration, procurement of raw materials.

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.

ENVIRONMENTAL POLICIES AND PERFORMANCE

It is our corporate and social responsibility in promoting a sustainable and environmental-friendly environment. We strive to minimize our environmental impact and to build our corporation in a sustainable way.

We are subject to environmental protection and occupational health and safety laws and regulations in China. In 2021, we complied with the relevant environmental and occupational health and safety laws and regulations in China and we did not have any incidents or complaints, which had a material and adverse effect on our business, financial condition or results of operations. The 2021 Environmental, Social and Governance Report of the Company will be published on the websites of the Stock Exchange and the Company no later than five months after the end of the financial year.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. For the year ended December 31, 2021, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

EMPLOYEE AND REMUNERATION POLICIES

As of December 31, 2021, the Group had 459 employees.

The number of employees employed by the Group varies from time to time depending on need. The remuneration package of our employees includes salary and bonus, which are generally determined by their qualifications, industry experience, position and performance. The Company makes contributions to social insurance and housing provident funds as required by the PRC laws and regulations.

The Company also has adopted the Pre-IPO Share Option Plans, the Post-IPO Share Option Scheme and Post-IPO Restricted Share Award Scheme to provide incentives for certain employees. Please refer to the sections headed "Pre-IPO Share Option Plans", "Post-IPO Share Option Scheme" and "Post-IPO Restricted Share Award Scheme" in this annual report for further details.

The total remuneration cost incurred by the Group for the year ended December 31, 2021 was RMB139.0 million, as compared to RMB114.8 million for the year ended December 31, 2020.

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

KEY RELATIONSHIPS WITH STAKEHOLDERS

The Group recognizes that various stakeholders including customers, suppliers, employees, Shareholders and other business associates are key to Group's success. The Group strives to achieve corporate sustainability through engaging, collaborating, and cultivating strong relationship with them.

Major Suppliers

For the year ended December 31, 2021, our major suppliers primarily consisted of machinery and equipment suppliers and construction service providers for our new facilities, as well as raw materials suppliers and third-party service providers for our clinical trials and pre-clinical studies. We have maintained stable business relationships with our major suppliers for approximately four years. For the procurement of machinery and equipment and construction services related to our new facilities, we generally settle payments pursuant to a payment schedule. For raw material procurement, we engaged Independent Third Party contract research organizations to provide certain services in our pre-clinical studies and clinical trials during the Reporting Period. These services primarily include performing laboratory tests and statistical analyses, conducting data collection and subject monitoring in our clinical trials, and carrying out certain studies based on our study design, which are time and labor intensive.

For the year ended December 31, 2021, purchases from the Group's five largest suppliers amounted to RMB95.5 million (2020: RMB59.4 million), accounting for approximately 17.4% (2020: 25.6%) of the Group's total purchase amount in the same year. The Group's largest supplier for the year ended December 31, 2021 amounted to RMB26.7 million (2020: RMB18.3 million), accounting for approximately 4.9% (2020: 7.9%) of the Group's total purchase amount for the same year.

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

For the year ended December 31, 2021, the Group did not experience any significant disputes with its suppliers.

Major Customers

We entered into a licensing agreement with JMT-Bio to develop and commercialize KN026 in August 2021 and commenced to commercialize KN035 (Envafolimab) in November 2021. For the year ended December 31, 2021, we mainly generated revenue from (i) sales of pharmaceutical product; (ii) royalty income; (iii) license fee income; and (iv) provision of goods and consumables for R&D projects. We have maintained stable business relationships with our major customers since our official commercial launch of KN035 (Envafolimab) and the licensing of KN026.

For the year ended December 31, 2021, sales to the Group's five largest customers amounted to RMB146.0 million (2020: nil), accounting for approximately 100.0% (2020: nil) of the Group's total revenue in the same year. The Group's largest customer for the year ended December 31, 2021 amounted to RMB134.4 million (2020: nil), accounting for approximately 92.1% (2020: nil) of the Group's total revenue for the same year.

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

For the year ended December 31, 2021, the Group did not experience any significant disputes with its customers.

Relationship with Our Employees

We endeavor to cultivate talented and loyal employees by treating our employees with dignity, respect and fairness. We conduct new employee training, as well as professional and compliance training programs for employees. We enter into employment contracts with our employees to cover matters such as wages, benefits and grounds for termination. The remuneration package of our employees usually includes salary, bonus and share option incentives, which are generally determined by their qualifications, industry experience, position and performance. We make contributions to social insurance and housing provident funds as required by the PRC laws and regulations.

Relationship with Shareholders

We recognize the importance of protecting the interests of the Shareholders and of having effective communication with them. We believe communication with the Shareholders is a two-way process and have thrived to ensure the quality and effectiveness of information disclosure, maintain regular dialogue with the Shareholders and listen carefully to the views and feedback from the Shareholders. This has been done through general meetings, corporate communications, annual reports and results announcements.

FINANCIAL SUMMARY

A summary of the audited consolidated results and the assets and liabilities of the Group for the last three financial years, as extracted from the audited consolidated financial statements, is set out on page 226 of this annual report. This summary does not form part of the audited consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

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

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 40 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group for the year ended December 31, 2021 are set out in Note 15 to the consolidated financial statements.

SHARE CAPITAL AND SHARES ISSUED

Details of movements in the share capital of the Company for the year ended December 31, 2021 and details of the Shares issued for the year ended December 31, 2021 are set out in Note 28 to the consolidated financial statements.

DONATION

For the year ended December 31, 2021, the Group did not make charitable donation.

DEBENTURE ISSUED

The Group did not issue any debenture for the year ended December 31, 2021.

EQUITY-LINKED AGREEMENTS

Save for the Pre-IPO Share Option Plans, the Post-IPO Share Option Scheme and the Post-IPO Restricted Share Award Scheme as set out in this annual report, no equity-linked agreements were entered into by the Group, or existed for the year ended December 31, 2021.

DIVIDENDS

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

PERMITTED INDEMNITY

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

Such permitted indemnity provision has been in force for the year ended December 31, 2021. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

DISTRIBUTABLE RESERVES

The Company may pay dividends out of the share premium account, retained earnings and any other reserves provided that immediately following the payment of such dividends, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

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

Details of movements in the reserves of the Group and the Company during the year ended December 31, 2021 are set out in the consolidated statement of changes in equity on pages 110 to 111 and in Note 39 to the consolidated financial statements, respectively.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at December 31, 2021 are set out in the section headed "Management Discussion and Analysis" in this annual report and Note 26 to the consolidated financial statements.

CONVERTIBLE BONDS

As of the date of this annual report, the Company has not issued any convertible bonds.

LOAN AGREEMENT WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDERS

As of the date of this annual report, the Company has not entered into any loan agreement which contains covenants requiring specific performance of the Controlling Shareholders.

CHANGES IN DIRECTORS DURING THE REPORTING PERIOD

With effect from August 27, 2021, Dr. JIANG Hualiang resigned from the position as an independent non-executive Director, a member of the Nomination Committee and the Strategy Committee due to his personal work arrangements. Dr. GUO Zijian (郭子建) was appointed as an independent non-executive Director and a member of the Nomination Committee and the Strategy Committee with effect from August 27, 2021. For details, please refer to Company's announcement dated August 27, 2021.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years with effect from the Listing Date.

Each of the non-executive Director has signed a letter of appointment with the Company for an initial term of three years with effect from the Listing Date.

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 November 24, 2019, excluding Dr. GUO Zijian who has signed the letter of appointment with the Company for an initial term of three years with effect from August 27, 2021.

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

None of the Directors has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the Note 12 to the consolidated financial statements, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended December 31, 2021.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Each of our Controlling Shareholders has undertaken to us in the Non-Competition Undertaking that, during the period of the Non-competition Undertaking, it/he shall not, and shall procure its/his close associates (other than members of our Group) not to directly or indirectly be involved in or undertake any business (other than our business) that directly or indirectly competes, or may compete, with any business engaged by any member of our Group, or hold interest in any companies or business that compete directly or indirectly with the business currently or from time to time engaged in by our Group. For further details, please refer to the section headed "Relationship with Controlling Shareholders – Non-competition Undertaking" of the Prospectus.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in the Prospectus and save for their respective interests in the Group, none of the Directors and the Controlling Shareholders was interested in any business which competes or is likely to compete with the businesses of the Group for the year ended December 31, 2021.

We have received annual written confirmations from the Controlling Shareholders, consisting of Dr. Xu and Rubymab, of the compliance with the provisions of the Non-competition Undertaking by such Controlling Shareholders and their close associates.

The independent non-executive Directors have reviewed the compliance with the Non-competition Undertaking during the year ended December 31, 2021 based on the information and confirmation provided by or obtained from the Controlling Shareholders, and were satisfied that our Controlling Shareholders have duly complied with the Non-competition Undertaking.

MANAGEMENT CONTRACTS

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

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

As of December 31, 2021, the interests and short positions of the Directors or chief executives of our Company and their associates in any of the Shares, underlying Shares and debentures of our Company or its associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long Positions in the Shares of the Company

Name of Directors/ Chief Executive	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding interest[3]
Dr. XU	Founder of a discretionary trust	314,000,000[1] (L)	33.51%
(Executive Director and	Interest in a controlled corporation		
Chief Executive Officer)	Beneficial owner	4,552,950 (L)	0.49%
Ms. LIU Yang	Beneficiary of a trust	314,000,000[1] (L)	33.51%
(Executive Director)	Interest of spouse	4,552,950[2] (L)	0.49%

Notes:

(1) These Shares are directly held by Rubymab, which is wholly owned by South Dakota Trust as the trustee of Dr. XU's Family Trust, of which Dr. XU acts as the settlor and protector for the benefits of his family members with South Dakota Trust acting as the trustee.

(2) Ms. LIU Yang is the spouse of Dr. XU, and therefore is deemed to be interested in the Shares held by Dr. XU under the SFO.

(3) The calculation is based on the total number of 936,985,020 Shares in issue as of December 31, 2021.

(L) – Long position.

Long Positions in the Underlying Shares of the Company

Name of Directors/ Chief Executive	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding interest[2]
Dr. XU *(Executive Director and Chief Executive Officer)*	Beneficial owner	16,743,500(L)	1.79%
	Interest of spouse	2,240,000[1] (L)	0.24%
Ms. LIU Yang *(Executive Director)*	Beneficial owner	2,240,000 (L)	0.24%
	Interest of spouse	16,743,500[1] (L)	1.79%
Mr. WEI Kevin Cheng *(Independent non-executive Director)*	Beneficial owner	60,000 (L)	0.01%
Mr. WU Dong *(Independent non-executive Director)*	Beneficial owner	60,000 (L)	0.01%

Notes:

(1) Dr. XU and Ms. LIU Yang are spouses, and therefore are deemed to be interested in the underlying Shares in respect of the share options granted under the Pre-IPO Share Option Plans held by each other under the SFO.

(2) The calculation is based on the total number of 936,985,020 Shares in issue as of December 31, 2021.

(L) – Long position.

Save as disclosed above, as of December 31, 2021, none of the Directors or chief executives of the Company of their associates had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations.

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

As of December 31, 2021, so far as the Directors are aware, the following persons (other than the Directors or chief executives of the Company or their associates) had interests or short positions 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:

Name of Substantial Shareholders	Nature of interest	Number of Shares	Approximate percentage of shareholding interest[5]
Rubymab	Beneficial owner	314,000,000[1] (L)	33.51%
South Dakota Trust	Trustee	314,000,000[1] (L)	33.51%
Mr. ZHANG Xitian	Interest in a controlled corporation	85,750,000[2] (L)	9.15%
Sky Diamond	Beneficial owner	85,750,000[2] (L)	9.15%
Mr. XUE Chuanxiao	Interest in a controlled corporation	85,750,000[3] (L)	9.15%
Pearlmed	Beneficial owner	85,750,000[3] (L)	9.15%
PANG Kee Chan Hebert	Interest in a controlled corporation	49,691,190[4] (L)	5.30%
Advantech Capital Partners II Limited	Interest in a controlled corporation	49,691,190[4] (L)	5.30%
Advantech Capital II L.P.	Interest in a controlled corporation	49,691,190[4] (L)	5.30%

Name of Substantial Shareholders	Nature of interest	Number of Shares	Approximate percentage of shareholding interest[5]
Advantech Capital II Master Investment Limited	Interest in a controlled corporation	49,691,190[4] (L)	5.30%
Advantech Capital II Investment Partners Limited	Interest in a controlled corporation	49,424,035[4] (L)	5.27%
Advantech Capital Investment I Limited ("Advantech I")	Interest in a controlled corporation	49,424,035[4] (L)	5.27%
	Beneficial owner	267,155[4] (L)	0.03%
Advantech Capital II AlphaMab Partnership L.P. ("Advantech II")	Beneficial owner	49,424,035[4] (L)	5.27%
GIC Private Limited	Interest in a controlled corporation	49,424,035[4] (L)	5.27%
GIC Special Investments Private Limited	Interest in a controlled corporation	49,424,035[4] (L)	5.27%
GIC (Ventures) Pte. Ltd.	Interest in a controlled corporation	49,424,035[4] (L)	5.27%
Highbury Investment Pte Ltd	Interest in a controlled corporation	49,424,035[4] (L)	5.27%

Notes:

(1) The entire share capital of Rubymab is wholly owned by South Dakota Trust as the trustee of Dr. XU's Family Trust, of which Dr. XU acts as the settlor and protector for the benefits of his family members with South Dakota Trust acting as the trustee.

(2) Sky Diamond is wholly owned by Mr. ZHANG Xitian. Therefore, Mr. ZHANG is deemed to be interested in the Shares in which Sky Diamond is interested under the SFO.

(3) Pearlmed is wholly owned by Mr. XUE Chuanxiao. Therefore, Mr. XUE is deemed to be interested in the Shares in which Pearlmed is interested under the SFO.

(4) Each of Advantech Capital II Investment Partners Limited (as the general partner of Advantech II), Advantech I (as a limited partner holding approximately 66.49% in Advantech II), Highbury Investment Pte Ltd (as a limited partner holding approximately 33.51% in Advantech II), Advantech Capital II Master Investment Limited (as the sole shareholder of Advantech I), GIC (Ventures) Pte. Ltd (as the sole shareholder of Highbury Investment Pte Ltd), GIC Special Investments Private Limited (as the entity that manages investment of Highbury Investment Pte Ltd), GIC Private Limited (as the sole shareholder of GIC Special Investments Private Limited), Advantech Capital II L.P. (as the sole shareholder of Advantech Capital II Master Investment Limited), Advantech Capital Partners II Limited (as the sole shareholder of Advantech Capital II Investment Partners Limited and the general partner of Advantech Capital II L.P.) and Mr. PANG Kee Chan Hebert (as the sole shareholder of Advantech Capital Partners II Limited) is deemed to be interested in the Shares held by Advantech II under the SFO.

(5) The calculation is based on the total number of 936,985,020 Shares in issue as of December 31, 2021.

(L) – Long position.

Save as disclosed above, as at December 31, 2021, no person, other than the Directors or chief executives of the Company whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares and Debentures of the Company or Any of its Associated Corporations" above, had any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

PRE-IPO SHARE OPTION PLANS

The Company has adopted two pre-IPO share option plans, namely the Pre-IPO Share Option Plan I and the Pre-IPO Share Option Plan II. The terms of both plans are not subject to the provisions of Chapter 17 of the Listing Rules.

Further details of the Pre-IPO Share Option Plans are set out in the Prospectus, Company's 2019 annual report, 2020 interim report, 2020 annual report, 2021 interim report and Note 30 to the consolidated financial statements.

A summary of the principal terms of the Pre-IPO Share Option Plans is set out below:

1. Pre-IPO Share Option Plan I (the **"Plan I"**)

(a) Purpose

The plan has been established to advance the interests of the Company by providing for the grant to the participants (the "**Plan I Participants**") of the options (the "**Plan I Options**").

(b) Administration

The Administrator of the Plan I (the "**Plan I Administrator**") shall be the Board, except that the Board may delegate its authority under the Plan I to a committee of the Board (or one or more members of the Board), in which case references herein to the Board will refer to such committee (or members of the Board).

(c) Eligible Participant

The Plan I Administrator of the Plan I will select Plan I Participants from among employees and directors of, and consultants and advisors to, the Company and any corporation or other entity that stands in relationship to the Company that would result in the Company consolidating the financial results of such corporation or other entity under the accounting standards and policies adopted by the Company to participate in the Plan I.

(d) Maximum Number of Shares Available for Issue under the Pre-IPO Share Option Plan

A maximum of 44,837,690 Shares of our Company with par value of US$0.000002 each may be delivered in satisfaction of the Plan I Options under the Plan I. Shares delivered under the Plan I will be fully paid upon exercise of the Plan I Option. No fractional Shares will be delivered under the Plan I.

As at December 31, 2021, the aggregate number of underlying Shares pursuant to the outstanding options and share awards granted under the Pre-IPO Share Option Plan I is 22,539,065 Shares, representing approximately 2.41% of the total issued Shares. Details of the Pre-IPO Share Option Plan I are set out in Note 30 to the consolidated financial statements.

(e) Determination of Exercise Price

The exercise price of each Plan I Option will be solely determined by the Plan I Administrator provided that the exercise price shall not be lower than the par value of the Shares underlying such Plan I Option. Plan I Options, once granted, may be repriced only in accordance with the applicable requirements of the Plan I.

(f) Consideration

The exercise of a Plan I Option is to be accompanied by payment at the exercise price in cash or check in a currency acceptable by the Plan I Administrator.

(g) Term of the Plan

The Plan I is terminated on the Listing Date. No Plan I Options may be granted after the termination of the Plan I but each Plan I Option outstanding as at such termination shall continue to be administered in accordance with the Plan I and the relevant Plan I grant agreement.

2. Pre-IPO Share Option Plan II (the **"Plan II"**)

(a) Purpose

The plan has been established to advance the interests of the Company by providing for the grant to the participants (the "**Plan II Participants**") of the options (the "**Plan II Options**").

(b) Administration

The Administrator of the Plan II (the "**Plan II Administrator**") shall be the Board, except that the Board may delegate its authority under the Plan II to a committee of the Board (or one or more members of the Board), in which case references herein to the Board will refer to such committee (or members of the Board).

(c) Eligible Participants

The Plan II Administrator of the Plan II will select Plan II Participants from among employees and directors of, and consultants and advisors to, the Company and its affiliates to participate in the Plan II.

(d) Maximum Number of Shares Available for Issue under the Pre-IPO Share Option Plan

A maximum of 28,148,110 ordinary shares of our Company with par value of US$0.000002 each may be delivered in satisfaction of the Plan II Options under the Plan II. Shares delivered under the Plan II will be fully paid upon exercise of the Plan II Option. No fractional Shares will be delivered under the Plan II.

As at December 31, 2021, the aggregate number of underlying Shares pursuant to the outstanding options and share awards granted under the Pre-IPO Share Option Plan II is 5,487,625 Shares, representing approximately 0.59% of the total issued Shares. Details of the Pre-IPO Share Option Plan II are set out in Note 30 to the consolidated financial statements.

(e) Determination of Exercise Price

The exercise price of each Plan II Option will be determined by the Plan II Administrator except that in the certain circumstances, approval from both Directors appointed by PAG Growth I (BVI) Limited or Advantech II and Advantech I by their affirmative vote at a meeting of the Board or by separate written consent signed by such director must be obtained. The exercise price of Plan II Options granted under Plan II shall not be lower than the par value of the Shares underlying such Plan II Option. Plan II Options, once granted, may be repriced only in accordance with the applicable requirements of the Plan II.

(f) Consideration

The exercise of a Plan II Option is to be accompanied by payment at the exercise price in cash or check in a currency acceptable by the Plan II Administrator.

(g) Term of the Plan

The Plan II is terminated on the Listing Date. No Plan II Options may be granted after the termination of the Plan II but, each Plan II Option outstanding as at such termination shall continue to be administered in accordance with the Plan II and the relevant Plan II grant agreement.

3. Outstanding Share Options

The table below shows details of the outstanding share options granted to all grantees under the Pre-IPO Share Option Plans as of December 31, 2021. For further details on the movement of the options during the Reporting Period, please see Note 30 to the consolidated financial statements.

Details of the movements of the options granted under the Pre-IPO Share Option Plans as at the date of this annual report are as follows:

Name of category of grantee	Date of grant	Option period	Exercise price (US$)	Number of Shares underlying options outstanding as of January 1, 2021	Number of options exercised during the Reporting Period	Number of options cancelled/ lapsed during the Reporting Period	Number of Shares underlying options outstanding as of December 31, 2021
Directors							
XU Ting	Between June 30, 2019 to November 8, 2019	10 years from the date of grant	Between 0.0142 to 0.4898	Plan I: 12,508,830 Plan II: 4,234,670	Plan I: 0 Plan II: 0	Plan I: 0 Plan II: 0	Plan I: 12,508,830 Plan II: 4,234,670
LIU Yang	October 10, 2018	10 years from the date of grant	0.0142	Plan I: 2,240,000	Plan I: 0	Plan I: 0	Plan I: 2,240,000
Other Grantees in Aggregate							
	Between October 10, 2018 to November 13, 2019	10 years from the date of grant	Between 0.0142 to 0.4898	Plan I: 11,194,480 Plan II: 2,088,605	Plan I: 824,500 Plan II: 107,750	Plan I: 2,579,745 Plan II: 727,900	Plan I: 7,790,235 Plan II: 1,252,955
Total				32,266,585	932,250	3,307,645	28,026,690

Note:

(1) The closing market price per Share immediately before the date on which the options were exercised during the period was HK$24.45 and HK$19.98, respectively.

POST-IPO SHARE OPTION SCHEME

The Post-IPO Share Option Scheme was adopted by the Company on May 25, 2020. A summary of the principal terms of the Post-IPO Share Option Scheme is set out below:

(a) Purpose

The purpose of the Post-IPO Share Option Scheme is to provide incentive or reward to eligible persons ("**Post-IPO Option Scheme Participants**") for their contribution to, and continuing efforts to promote the interests of, the Group, and to incentivize them to remain with the Group, as well as for such other purposes as the Board may approve from time to time.

(b) Eligible Participants

The Post-IPO Option Scheme Participants include: (a) any employee (whether full-time or part-time) of the Company or any of its subsidiaries; (b) any director (including executive, non-executive and independent non-executive directors) of the Group; and (c) any member of the scientific advisory board of the Company. The basis of eligibility of any of the above classes of Post-IPO Option Scheme Participants to the grant of any Options shall be determined by the Board from time to time on the basis of their contribution to the development and growth of the Group.

(c) Maximum Number of Shares Available for Issue under the Post-IPO Share Option Plan

At the time of adoption of the Post-IPO Share Option Scheme or any new share option scheme, the aggregate number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme, the new scheme and all schemes existing at such time of the Company must not in aggregate exceed 5% of the total number of Shares in issue as of the date of adoption of the Post-IPO Share Option Scheme or the new scheme (as the case may be), namely, 46,673,268 Shares.

As of the date of this annual report, 44,323,269 Shares are available for issue under the Post-IPO Share Option Scheme, representing 4.73% of the issued Shares of the Company.

(d) Maximum Entitlement of Each Eligible Person

No Option shall be granted to any eligible person if, at the relevant time of grant, the number of Shares issued and to be issued upon exercise of all Options (granted and proposed to be granted, whether exercised, cancelled or outstanding) to the relevant eligible person in the 12-month period up to and including the date of such grant would exceed 1.0% of the total number of Shares in issue at such time, within any 12-month period unless approved by the Shareholders of our Company.

(e) Subscription Price

The price at which each Share subject to an option may be subscribed for on the exercise of that option shall be a price solely determined by the Board and notified to a Post-IPO Option Scheme Participant and shall be at least the highest of: (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a business day; (b) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and (c) the nominal value of the Shares.

(f) Lapse of Option

The right to exercise an option (to the extent not already exercised) shall terminate immediately upon the earliest of: (a) the expiry of the option period; (b) the date of employment termination for any reason other than death or becoming permanently disabled; (c) the date of the grantee being determined to be unable to pay or have no reasonable prospect of being able to pay his debts, or having become insolvent, or having made any arrangements or composition with his creditors generally or on which he has been convicted of any criminal offence involving his integrity or honesty; (d) the expiry of the 60-day period after the Board issues a written consent to the grantee's personal representatives after the date of his death or permanent disability; (e) the date on which the grantee (other than an employee of the Group) or his associate has committed any breach of any contract entered into between the grantee or his associate on one part and the Group on the other part or that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; (f) the expiry of the 21-day period after which a general offer is made to all the Shareholders being or being declared unconditional; (g) subject to the compromise or arrangement becoming effective, the expiry of the notice period in the event where a compromise or arrangement between the Company and its Shareholders or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies; (h) the date of the commencement of the winding-up of the Company; or (i) the non-fulfilment of any condition to the Post-IPO Share Option Scheme on or before the date stated therein.

(g) Term of the Plan

The Post-IPO Share Option Scheme shall be valid and effective for a period of 10 years commencing on May 25, 2020, being the date on which it is adopted by ordinary resolution of the Shareholders in general meeting, after which period no further Options shall be granted. Subject to the above, in all other respects, in particular, in respect of Options remaining outstanding on the expiry of the 10-year period referred to in this paragraph, the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect.

Further details of the Post-IPO Share Option Scheme are set out in the circular of the Company dated April 22, 2020.

As of December 31, 2021, 9,575,000 option had been granted. And among the total options, 7,225,000 options were cancelled or lapsed under the Post-IPO Share Option Scheme.

POST-IPO RESTRICTED SHARE AWARD SCHEME

The Post-IPO Restricted Share Award Scheme was adopted by the Company on March 23, 2021. The terms of Post-IPO Restricted Share Award Scheme are not subject to the provisions of Chapter 17 of the Listing Rules. A summary of the principal terms of the Post-IPO Restricted Share Award Scheme is set out below:

(a) Purpose

The purpose of the Post-IPO Restricted Share Award Scheme is to provide selected participants ("**Post-IPO RSA Participants**") with an opportunity to acquire a proprietary interest in the Company, to encourage and retain such individuals to work with the Group, to provide them with additional incentives to achieve performance goals, to attract suitable personnel for further development of the Group, and to motivate the Post-IPO RSA Participants to maximize the value of the Company for the benefits of the Post-IPO RSA Participants and the Company.

(b) Administration

The Scheme shall be subject to the administration of a sub-committee of the Board (the "**Administration Committee**") and a trustee appointed by the Company (the "**Trustee**") for administration of the Post-IPO Restricted Share Award Scheme. The Trustee shall hold the trust fund in accordance with the Post-IPO Restricted Share Award Scheme and the terms of the trust deed.

The Administration Committee may, in its sole and absolute discretion, at any time instruct the Trustee to make purchases on the Stock Exchange. Once purchased, the Trustee shall hold the Shares so purchased in accordance with the Post-IPO Restricted Share Award Scheme and the provisions of the trust deed and, as instructed by the Administration Committee, transfer the relevant vested Award Shares to the nominee account or pay to the Post-IPO RSA Participant in cash the amount of equivalent value of such Award Shares after deducting certain fees and expenses in accordance with Post-IPO Restricted Share Award Scheme.

(c) Eligible Participants

The Post-IPO RSA Participants include any individual being a chief executive, a director (including executive and non-executive director), employee, officer, agent or consultant of the Company or any of its subsidiaries.

(d) Maximum Number of Shares to be Awarded under the Post-IPO Restricted Share Award Scheme ("Award Shares")

No Shares shall be purchased pursuant to the Post-IPO Restricted Share Award Scheme if as a result of such purchase, the number of shares administered under the Post-IPO Restricted Share Award Scheme shall reach or exceed 1.5% of the issued share capital of the Company at the date of the Board's approval of the Post-IPO Restricted Share Award Scheme, namely, 14,024,090 Shares, or such other limit as determined by the administration committee in its sole and absolute discretion provided always that it is in compliance with the Listing Rules.

(e) Maximum Entitlement of Each Post-IPO RSA Participant

The maximum number of Award Shares which may be granted to a Post-IPO RSA Participant at any one time or in aggregate may not exceed 1% of the issued share capital of the Company at the same date.

(f) Vesting of Award Shares

Any Award Share granted to a Post-IPO RSA Participant shall vest in accordance with the vesting conditions as set out in the grant letter. The Administration Committee shall have the sole and absolute discretion in determining whether the Award Shares shall be satisfied by Shares or cash of the equivalent value of such Award Shares at the vesting date. Upon receipt of the vesting notice, the Post-IPO RSA Participant is required to return to the Company a reply slip at least five business days before the vesting date. If the Administration Committee specifies in the vesting notice that actual Award Shares will be transferred to the nominee account upon vesting, the Post-IPO RSA Participant shall complete the payment of the exercise price (if any) within the specified period set out in the vesting notice. If the Post-IPO RSA Participant fails to (i) return the reply slip at the stipulated time above to the Company, or (ii) complete the payment of the exercise price in accordance with the requirements set out in the vesting notice, unless otherwise determined by the Administration Committee, the grant of the Award Shares shall automatically lapse.

Except other circumstances as specified by the Board in its sole and absolute discretion, the Award Shares shall not vest in the event of any failure of Post-IPO RSA Participants to pass the specified performance review or any failure of Post-IPO RSA Participants to remain as eligible participants (other than by reason of death or retirement) prior to the vesting date.

(g) Restrictions

Any grant made under the Post-IPO Restricted Share Award Scheme shall be personal to the Post-IPO RSA Participant to whom it is made and shall not be assignable other than for the purpose of vesting in his/her lawful successor.

The Trustee shall not exercise any voting rights in respect of any Shares held under the trust (including but not limited to the Award Shares, the unaccepted Shares, the unvested Shares, any bonus Shares and scrip Shares).

(h) Term of the Plan

The Post-IPO Restricted Share Award Scheme shall be valid and effective for a period of 10 years commencing on March 23, 2021, being the date on which it is adopted by the Board, and can be terminated or extended by a resolution of the Board.

As of December 31, 2021, pursuant to the Post-IPO Restricted Share Award Scheme, we had granted 1,113,400 Award Shares to 12 Post-IPO RSA Participants, accounting for approximately 0.12% of the total issued share capital of our Company as of December 31, 2021.

Details of the Post-IPO Restricted Share Award Scheme, during the Reporting Period are as follows:

			Number of Shares underlying the Post-IPO Restricted Share Award Scheme during the Reporting Period			
Grantee	**Grant Date[2]**	**Outstanding as of January 1, 2021[3]**	**Granted**	**Exercised**	**Cancelled or lapsed**	**Outstanding as of December 31, 2021**
12 Post-IPO RSA Participants[1]	November 25, 2021	N/A	1,113,400	–	–	1,113,400

Notes:

(1) The Grantees are all employees of the Company during the Reporting Period and none of them is a connected person of the Company.

(2) Subject to all vesting conditions having been satisfied in accordance with the rules governing the Post-IPO Restricted Share Award Scheme, the Award Shares shall vest in the following manner: (a) as to 20% of the Award Shares on April 23, 2022; (b) as to 20% of the Award Shares on April 23, 2023; (c) as to 20% of the Award Shares on April 23, 2024; and (d) as to 40% of the Award Shares on April 23, 2025.

(3) The Post-IPO Restricted Share Award Scheme was approved and adopted by the Board on March 23, 2021 and there were no outstanding Award Shares at the beginning of the Reporting Period.

Further details of the Post-IPO Restricted Share Award Scheme are set out in the announcements of the Company dated March 23, 2021 and November 25, 2021.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time for the year ended December 31, 2021 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate; and none of the Directors, or any of their spouse or children under the age of 18, had any right to subscribe for equity or debt securities of the Company or any other body corporate, or had exercised any such right.

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

In compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, the Company has established the Remuneration Committee to formulate remuneration policies. The remuneration is determined and recommended based on each Director's and senior management personnel's qualification, position and seniority. As for the independent non-executive Directors, their remuneration is determined by the Board upon recommendation from the Remuneration Committee. The Directors and the senior management personnel are eligible participants of the Pre-IPO Share Option Plans, Post-IPO Share Option Scheme and Post-IPO Restricted Share Award Scheme.

Details of the remuneration of the Directors, senior management and the five highest paid individuals are set out in Note 12 and Note 13, respectively to the consolidated financial statements.

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

For the year ended December 31, 2021, directors were granted discretionary bonuses of a total sum of RMB1.9 million excluding the special bonus set out in Note 12 to the consolidated financial statements. Save as disclosed above, none of the Directors were paid discretionary bonuses for the year ended December 31, 2021.

CONNECTED TRANSACTIONS

Among the related party transactions disclosed in Note 37 to the consolidated financial statements, the following transactions constitute connected transactions for the Company under Rule 14A.23 of the Listing Rules and are required to be disclosed in this annual report in accordance with Rule 14A.71 of the Listing Rules. Please see below the information required to be disclosed in compliance with Chapter 14A of the Listing Rules.

We have entered into certain connected transactions with Suzhou Alphamab. As of the Latest Practicable Date, Suzhou Alphamab is owned by Dr. Xu, the chairman, executive director, chief executive officer and a controlling shareholder of the Company, as to 48.45%. Pursuant to Chapter 14A of the Listing Rules, Suzhou Alphamab is an associate of Dr. Xu and therefore a connected person of the Company.

Procurement of Ancillary Services and Utility under the Property and Equipment Lease Agreement

Our Group entered into a procurement of ancillary services and utility under the property and equipment lease agreement ("**Property and Equipment Lease Agreement**") with Suzhou Alphamab with effect from June 1, 2019. The Property and Equipment Lease Agreement has an initial term commencing from June 1, 2019 till December 31, 2021 and the lease may be renewed on terms as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and other applicable laws and regulations. Pursuant to the Property and Equipment Lease Agreement, Suzhou Alphamab agreed to provide us with ancillary services of facility maintenance, which are carried out by certain supporting staff of Suzhou Alphamab on the Leased Premises (the "**Ancillary Services**"). In addition, we also need to pay the utility (water, electricity etc.) costs to Suzhou Alphamab during the term of the Property and Equipment Lease Agreement.

Suzhou Alphamab has been providing Ancillary Services to us for biologics manufacturing during the Track Record Period. Any change of the current arrangement may cause material disruption to our business operations and incur additional costs. Therefore, our Directors are of the view that such arrangement is in the best interest of our Group and our Shareholders as a whole. Please refer to the section headed "Connected Transaction" in the Prospectus for details.

The annual caps for the transactions under the Property and Equipment Lease Agreement for the years ended December 31, 2020 and 2021 are RMB5,821,200 and RMB5,821,200, respectively. The aggregate transaction amount incurred in accordance with the Property and Equipment Lease Agreement for the year ended December 31, 2021 was RMB2,077,945.

Master Technical Service Agreement

Our Group entered into a master technical service agreement ("**Master Technical Service Agreement**") with Suzhou Alphamab with effect from June 6, 2019, pursuant to which, we will provide biologics manufacturing services to Suzhou Alphamab upon request during the term of the agreement ("**Manufacturing Services**"). The Manufacturing Services include (i) manufacturing of biological drug substances in compliance with GMP and (ii) packaging of sterile drug products. The Master Technical Service Agreement has an initial term commencing from the date of the Master Technical Service Agreement till December 31, 2021 and may be renewed as the parties may mutually agree, subject to the compliance with the requirements under Chapter 14A of the Listing Rules and other applicable laws and regulations. The Master Technical Service Agreement was renewed by the same parties on January 14, 2022, pursuant to which Jiangsu Alphamab agreed to provide the Manufacturing Services to Suzhou Alphamab.

Our principal operating subsidiary Jiangsu Alphamab had been a subsidiary of Suzhou Alphamab prior to the Reorganization and therefore we are very familiar with its needs and requirements. It is complementary and beneficial to Suzhou Alphamab and us to enter into both the Master Technical Service Agreement and Property and Equipment Lease Agreement to avoid any relocation of manufacturing facility or change of current arrangements that may cause disruption to the manufacturing operations of us and Suzhou Alphamab. Under the Master Technical Service Agreement, we are entitled to refuse to provide or delay the provision of the Manufacturing Services to Suzhou Alphamab if we consider that we do not have adequate manufacturing capacity to perform the requested services. Such arrangement enables us to fully utilize our production capacity as well as generate income for our Group. Our Directors are of the view that providing Manufacturing Services to Suzhou Alphamab as contemplated under the Master Technical Services Agreement will be beneficial to our Group. Please refer to Company's announcement dated January 14, 2022 for details.

The annual caps for the transactions under the Master Technical Service Agreement for the years ended December 31, 2021, 2022, 2023 and 2024 are RMB18,559,500, RMB26,260,000, RMB18,340,000 and RMB7,860,000, respectively. The aggregate transaction amount incurred in accordance with the Master Technical Service Agreement for the year ended December 31, 2021 was RMB746,376.

Technology Development Agreements

Technology Development Agreement for KN019, KN026 and KN035

On March 31, 2020, our Group entered into a technology development agreement for the optimization and transfer of processes for the Company's three drug candidates, namely KN019, KN026 and KN035 (the "**Cooperative Product(s)**"), with Suzhou Alphamab (the "**Technology Development Agreement for KN019, KN026 and KN035**"), The purpose of this transaction is to develop new culture media, optimize cell cultivation and purification process to reduce the antibody production costs of relevant products of Jiangsu Alphamab. Pursuant to the Technology Development Agreement for KN019, KN026 and KN035, Suzhou Alphamab agrees to (i) develop the upstream process of Cooperative Products, (ii) develop and optimize the downstream process of Cooperative Products, and (iii) once the process optimization of any of the Cooperative Products is completed, transfer the optimized process to Jiangsu Alphamab, and to assist the related process transfer, drug approval applications and on-site inspections. The term of the Technology Development Agreement for KN019, KN026 and KN035 commenced on March 31, 2020 and shall expire one year after the completion of process optimization and process transfer of the Cooperative Products. Please refer to the Company's announcement dated March 31, 2020 for further details.

The total service fee for product technology development of KN019, KN026 and KN035 projects amounted to RMB6.3 million (RMB2.1 million for each project). The aggregate transaction amount incurred in accordance with the Technology Development Agreement for KN019, KN026 and KN035 for the year ended December 31, 2021 was RMB1,890,000.

Technology Development Agreement for KN052

On March 31, 2020, our Group entered into a technology development agreement for process scale-up research of KN052 with Suzhou Alphamab (the "**Technology Development Agreement for KN052**", together with the Technology Development Agreement for KN019, KN026 and KN035, the "**Technology Development Agreements**"). The purpose of this transaction is to carry out trial production and finalize production process of KN052 on its own 15L cell culture reactor to confirm whether the process is suitable for larger-scale reactors. According to the Technology Development Agreement for KN052, Suzhou Alphamab agrees to (i) run the cell culture process of KN052 on the 15L cell culture reactor in its laboratory to purify the cytochylema obtained and to obtain the target proteins; (ii) make necessary adjustments to the existing cell culture process of KN052 in order to fit for 250L or larger bioreactors; (iii) optimize the existing purification process of KN052; and (iv) deliver the adjusted process, related research reports and actual obtained target proteins to Jiangsu Alphamab, and to assist the related process, drug approval applications and onsite inspections. The term of the Technology Development Agreement for KN052 commenced on March 31, 2020 and shall expire one year after the completion and delivery of the project. Please refer to the Company's announcement dated March 31, 2020 for further details.

The total service fee for the product technology development of KN052 project amounted to RMB0.2 million. The aggregate transaction amount incurred in accordance with the Technology Development Agreement for KN052 for the year ended December 31, 2021 was nil.

Technology Development Agreement for the JSKN-003 Project and the JSKN-003e Project

On May 26, 2021, our Group entered into a technology development agreement with Suzhou Alphamab for the process development project for JSKN-003 (Project No.: JSKN003) (the "**JSKN-003 Project**") and the preparation process development project for mGalt1, a key material of conjugation process (Project No.: JSKN003e) (the "**JSKN-003e Project**"). Pursuant to the technology development agreement, Suzhou Alphamab shall (i) develop the method for conjugation process and product releasing for JSKN-003, including process development, freeze-dried formulation development, process parameter optimization and product release analytical method development, as well as the subsequent transfer of such processes to Jiangsu Alphamab; (ii) develop production process, release method and pilot scale-up of mGalt1, the key material of conjugation process, including stable cell lines generation, cell culture process development, purification process development, analytical method development and two batches of pilot production, as well as the subsequent transfer of such preparation processes to Jiangsu Alphamab; (iii) assist Jiangsu Alphamab to complete the above process transfers; and (iv) provide information and materials to Jiangsu Alphamab as required for the preparation of clinical trial application. The term of the technology development agreement for JSKN-003 commenced on May 26, 2021 and shall expire one year after the full completion of process transfers of the JSKN-003 Project and JSKN-003e Project. Please refer to the Company's announcement dated May 26, 2021 for further details.

The total service fee for the technology development agreement for the JSKN-003 Project and the JSKN-003e Project amounted to RMB9.0 million. The aggregate transaction amount incurred in accordance with this technology development agreement for the year ended December 31, 2021 was RMB9.0 million.

Technology Development Agreement for the KN062 COVID-19 Antibody Project

On May 26, 2021, our Group entered into a technology development agreement with Suzhou Alphamab for KN062 COVID-19 neutralizing bispecific antibody development project (the "**KN062 COVID-19 Antibody Project**"). Pursuant to the technology development agreement for KN062 COVID-19 Antibody Project, Suzhou Alphamab shall (i) develop preparation process for KN062, including stable cell lines generation, cell culture process development, purification process development, analytical method development, and the subsequent transfer of such preparation processes to Jiangsu Alphamab; (ii) develop formulation and product release analytical method for KN062; and (iii) provide information and materials to Jiangsu Alphamab as required for the preparation of clinical trial application. The term of the technology development agreement for KN062 COVID-19 Antibody Project commenced on May 26, 2021 and shall expire one year after the full completion of process transfers of the KN062 COVID-19 Antibody Project. Please refer to the Company's announcement dated May 26, 2021 for further details.

The total service fee for the technology development agreement of KN062 COVID-19 antibody amounted to RMB6.0 million. The aggregate transaction amount incurred in accordance with the technology development agreement for KN062 for the year ended December 31, 2021 was RMB0.9 million.

In line with industry practice, the Company engages contract research organizations and other related suppliers to provide certain services in our pre-clinical research and clinical trials. Jiangsu Alphamab was a subsidiary of Suzhou Alphamab prior to the reorganization as disclosed in the Prospectus and therefore, it is very familiar with the Company's needs and requirements. Suzhou Alphamab has extensive experience and industry-leading capabilities in process optimization services related to the Technology Development Agreements. Considering the quality of relevant technology development services provided by Suzhou Alphamab, its quotation for the transactions is more competitive than the other independent third-party suppliers. The Company believes that this cooperation will help optimize the existing production process of relevant products and reduce the production costs. The Company believes that the implementation of these agreements will have a positive impact on the R&D, manufacturing and commercialization of the Company's relevant products. Our Directors are of the view that Suzhou Alphamab's provision of technology development service as contemplated under the Technology Development Agreements will be beneficial to our Group.

Save as disclosed above, none of the other related party transactions set out in Note 37 of the consolidated financial statements constitute connected transactions or continuing connected transactions that are required to be disclosed under Chapter 14A of the Listing Rules.

The above continuing connected transactions have followed the policies and guidelines when determining the price and terms of the transactions conducted for the year ended December 31, 2021.

The auditor of the Group has reviewed the continuing connected transactions referred to above and confirmed to the Board that the continuing connected transactions: (i) have received the approval of the Board; (ii) were in accordance with the pricing policies of the Group; (iii) were entered into in accordance with the relevant agreement governing the transactions; and (iv) have not exceeded the caps.

The independent non-executive Directors have reviewed and confirmed that the continuing connected transactions referred to above have been entered into, and will be carried out, (i) in the ordinary and usual course of business of our Group; (ii) on normal commercial terms or better to us; and (iii) are according to the agreement governing them on terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

The Company has designated a team of senior management from business operation, legal, risk control and finance departments and Board office to monitor the continuing connected transactions and ensure that the continuing connected transactions with the abovementioned connected persons are on arm's length basis and that the annual caps are not exceeded. Such team of senior management continuously traces and regularly monitors the progress of the continuing connected transactions and reports to management of the Company. They review the continuing connected transactions with the finance department to ensure that annual caps are not exceeded. They will also communicate with the Audit Committee, management and the Board, monthly or as needed, to report the progress of the continuing connected transactions, and request for approval of new changes of existing transaction terms. The heads of different departments of the Company will be informed on a periodic basis in relation to the terms and pricing policies of the continuing connected transactions as well. The Audit Committee has also assigned the independent internal audit team the task to ensure that the Company's internal control measures in respect of the continuing connected transactions remain effective and complete. With these measures, the independent non-executive Directors could therefore assess and give the confirmations in the preceding paragraph.

Save for disclosed above, for the year ended December 31, 2021, we have not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the Rules 14A.49 and 14A.71 of the Listing Rules.

CONTRACT OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions" above, no contract of significance was entered into between the Company, or one of its subsidiary companies, and any of its Controlling Shareholders or subsidiaries for the year ended December 31, 2021.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the period for the year ended December 31, 2021.

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration for the year ended December 31, 2021. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the year ended December 31, 2021.

USE OF NET PROCEEDS FROM GLOBAL OFFERING

The Company's Shares were listed on the Stock Exchange on December 12, 2019. The net proceeds from the Global Offering amounted to approximately HK$2,042.5 million. As of December 31, 2021, approximately HK$389.3 million of the net proceeds of the Global Offering had been utilized as follows:

	Allocation of net proceeds from the Global Offering in the proportion disclosed in the Prospectus		Proceeds from the Global Offering utilized as of December 31, 2021		Amounts not yet utilized as of December 31, 2021	
	HK$ million	*Percentage*	*HK$ million*	*Percentage*	*HK$ million*	*Percentage*
Key drug development programs						
the R&D and commercialization of KN046						
– the ongoing and planned clinical trials of, and preparation of registration filings for, KN046	817.0	40.0%	123.7	31.8%	693.3	41.9%
– the launch and, subject to regulatory approval, commercialization of KN046	204.3	10.0%	30.9	7.9%	173.4	10.5%
Subtotal	***1,021.3***	***50.0%***	***154.6***	***39.7%***	***866.7***	***52.4%***
the R&D and commercialization of KN026						
– the ongoing and planned clinical trials of, and preparation of registration filings for, KN026	326.8	16.0%	37.9	9.7%	288.9	17.5%
– the launch and, subject to regulatory approval, commercialization of KN026	81.7	4.0%	9.5	2.4%	72.2	4.4%
Subtotal	***408.5***	***20.0%***	***47.4***	***12.1%***	***361.1***	***21.9%***
the R&D of KN019	102.1	5.0%	7.59	2.0%	94.5	5.7%
Subtotal	***1,531.9***	***75.0%***	***209.6***	***53.8%***	***1,322.30***	***80.0%***
The construction of our new manufacturing and R&D facilities in Suzhou	**306.4**	**15.0%**	**148.2**	**38.1%**	**158.6**	**9.6%**
The early-stage pipeline and our working capital and general corporate purposes	**204.3**	**10.0%**	**31.5**	**8.1%**	**172.8**	**10.5%**
Total	**2,042.5**	**100.0%**	**389.3**	**100.0%**	**1,653.3**	**100.0%**

The Company expects that approximately HK$1,000.0 million to HK$1,200.0 million, accounting for approximately 50.0% to 62.0% of the net proceeds of the Global Offering, will be utilized by end of 2022 and plans to utilize the balance of net proceeds of the Global Offering by the end of 2023. The expected timeline for utilizing the net proceeds from the Global Offering is based on the best estimation of future market conditions made by the Company and subject to changes in accordance with our actual business operation. Going forward, the net proceeds will be applied in the manner as set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus and there is no change in the intended use of net proceeds as previously disclosed in the Prospectus.

PUBLIC FLOAT

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

AUDITOR

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

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not hold any material investments during the year ended December 31, 2021. In order to meet the increasing research demands and the international operational needs, the Company is considering to construct and develop a new research and operational center in Shanghai. Currently, the Company has no concrete plan. Save as disclosed in this annual report, we do not have other plans for material investments and capital assets.

CLOSURE OF REGISTER OF MEMBERS AND RECORD DATE

The register of members of the Company will be closed from Tuesday, June 7, 2022 to Friday, June 10, 2022, both days inclusive, in order to determine the eligibility of the Shareholders to attend and vote at the AGM to be held on Friday, June 10, 2022. In order to be eligible to attend and vote at the AGM, all transfer accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Monday, June 6, 2022.

By order of the Board
Dr. XU Ting
Chairman and Chief Executive Officer

Suzhou, PRC, March 29, 2022

Independent Auditor's Report

TO THE SHAREHOLDERS OF ALPHAMAB ONCOLOGY
康寧傑瑞生物製藥
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Alphamab Oncology (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 107 to 225, which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 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 disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter

Recognition and measurement of outsourcing service fees

We identified the cut-off of outsourcing service fees as a key audit matter due to its significance and the estimation involved in recording the outsourcing service fees paid and payable to contract research organizations ("CROs"), contract manufacturing organizations ("CMOs"), clinical research coordinators ("CRCs") and clinical trial sites ("CTSs"), mainly being hospitals (collectively referred to as the "Outsourced Service Providers") in the appropriate financial reporting period.

During the year ended December 31, 2021, the Group incurred research and development ("R&D") expenses of approximately RMB481.36 million, out of which approximately RMB236.99 million or 49.2% were attributable to the outsourcing service fees as set out in Note 33 to the consolidated financial statements. These Outsourced Service Providers provided supports to the Group's various R&D activities in the pharmaceutical and biotechnology industries in the form of R&D or manufacturing services. And these services are typically performed across the financial reporting periods. Accordingly, the recording of outsourcing service fees to the appropriate financial reporting period and the corresponding accruals as at reporting date based on the progress of the R&D projects involves estimation by the management. Outsourcing service fees of approximately RMB70.89 million were accrued as at December 31, 2021 as set out in Note 22 to the consolidated financial statements.

How our audit addressed the key audit matter

Our procedures performed on the cut-off of the outsourcing service fees included:

- Obtaining the understanding of key controls in relation to the accrual of the outsourcing service fees;
- For the outsourcing service fees paid and payable to CTSs, testing the accrual of related cost, on a sample basis, by checking to the patient enrolment listing, the progress of outsourcing services provided by CTSs that reported by the representatives of the relevant CRCs, the costs per patient in the agreements and with reference to the completion status of the clinical trial progress;
- For the outsourcing service fees paid and payable to CROs, CMOs and CRCs, test of details, on a sample basis, have been performed by
  - (1) testing the accrual of related cost, by checking their respective contract terms and/or milestones to the relevant agreements and the progress reported by the representatives of the relevant CROs, CMOs and CRCs and
  - (2) Sending confirmation to confirm the progress of the outsourcing services provided, for the year ended December 31, 2021
- Evaluating the adequacy of the outsourcing service fees accrual on selected samples by comparing the subsequent milestone billings received from the Outsourced Service Providers with the accrued outsourcing service fees at the year end.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 29, 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2021

	NOTES	2021 RMB'000	2020 RMB'000
Revenue	5	**146,021**	–
Cost of sales		**(3,028)**	–
Gross profit		**142,993**	–
Other income	6	**46,954**	111,136
Other losses	7	**(30,570)**	(117,627)
Research and development expenses	33	**(481,361)**	(331,241)
Administrative expenses		**(77,251)**	(78,208)
Finance costs	8	**(13,182)**	(11,826)
Loss before taxation		**(412,417)**	(427,766)
Income tax expense	9	**–**	–
Loss for the year	10	**(412,417)**	(427,766)
Other comprehensive income (expense) for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange gain (loss) arising on translation of a foreign operation		**1,108**	(506)
Total comprehensive expense for the year		**(411,309)**	(428,272)
Loss per share in RMB	14		
– Basic		**(0.44)**	(0.46)
– Diluted		**(0.44)**	(0.46)

Consolidated Statement of Financial Position

As at December 31, 2021

	NOTES	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment	15	**475,142**	361,030
Right-of-use assets	16	**55,381**	31,991
Deposits paid for acquisition of property, plant and equipment		**13,998**	12,797
Other receivables, deposits and prepayments	19	**44,021**	34,476
		588,542	440,294
Current assets			
Inventories	17	**57,908**	44,321
Trade receivables	18	**7,606**	–
Other receivables, deposits and prepayments	19	**59,921**	84,795
Financial assets at fair value through profit or loss ("FVTPL")	20	**54,010**	43,530
Derivative financial instruments	27	**5,630**	5,863
Time deposits with original maturity over three months	21	**1,128,168**	1,835,398
Cash and cash equivalents	21	**803,306**	185,321
		2,116,549	2,199,228
Current liabilities			
Trade and other payables	22	**150,024**	121,939
Amount due to a related company	23	**17,047**	3,765
Lease liabilities – current portion	24	**13,824**	10,146
Contract liabilities – current portion	25	**4,383**	469
Bank borrowings – current portion	26	**449,990**	188,000
Deferred income	29	**1,992**	5,216
		637,260	329,535
Net current assets		**1,479,289**	1,869,693
Total assets less current liabilities		**2,067,831**	2,309,987

	NOTES	2021 RMB'000	2020 RMB'000
Non-current liabilities			
Lease liabilities – non-current portion	24	**19,630**	3,309
Contract liabilities – non-current portion	25	**24,086**	12,244
Bank borrowings – non-current portion	26	**153,826**	21,350
		197,542	36,903
Net assets		**1,870,289**	2,273,084
Capital and reserves			
Share capital	28	**13**	13
Reserves		**1,870,276**	2,273,071
Total equity		**1,870,289**	2,273,084

The consolidated financial statements on pages 107 to 225 were approved and authorized for issue by the Board of Directors on March 29, 2022 and are signed on its behalf by:

XU TING
DIRECTOR

LIU YANG
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended December 31, 2021

	Attributable to owners of the Company						
	Share capital RMB'000	Share premium RMB'000	Other reserve (note) RMB'000	Translation reserve RMB'000	Share-based payment reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At January 1, 2020	12	3,434,420	(120,708)	(114)	78,773	(966,458)	2,425,925
Loss for the year	–	–	–	–	–	(427,766)	(427,766)
Other comprehensive expense for the year	–	–	–	(506)	–	–	(506)
Total comprehensive expense for the year	–	–	–	(506)	–	(427,766)	(428,272)
Issue of ordinary shares from exercising over-allotment options	1	245,220	–	–	–	–	245,221
Transaction costs directly attributable to issue of new shares from exercising over-allotment options	–	(7,554)	–	–	–	–	(7,554)
Exercise of share options	–	40,663	–	–	(35,626)	–	5,037
Recognition of equity-settled share-based payment expenses	–	–	–	–	32,727	–	32,727
At December 31, 2020	13	3,712,749	(120,708)	(620)	75,874	(1,394,224)	2,273,084

	Attributable to owners of the Company						
	Share capital RMB'000	Share premium RMB'000	Other reserve (note) RMB'000	Translation reserve RMB'000	Share-based payment reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Loss for the year	–	–	–	–	–	(412,417)	(412,417)
Other comprehensive income for the year	–	–	–	1,108	–	–	1,108
Total comprehensive expense for the year	–	–	–	1,108	–	(412,417)	(411,309)
Exercise of share options	–	4,009	–	–	(3,663)	–	346
Recognition of equity-settled share-based payment expenses	–	–	–	–	8,168	–	8,168
At December 31, 2021	13	3,716,758	(120,708)	488	80,379	(1,806,641)	1,870,289

Notes: The other reserve comprises:

(i) the accumulated losses derived from the oncology business ("Oncology Business") of Suzhou Alphamab Co., Ltd. (蘇州康寧傑瑞生物科技有限公司) ("Suzhou Alphamab"), a company controlled by Dr. Xu Ting ("Dr. Xu") who is in turn the controlling shareholder of the Company, prior to its transfer to the Company and its subsidiaries (collectively referred to as the "Group") of Oncology Business on April 18, 2018 and during the transition period of this business transfer up to the end of May 2019, as such accumulated losses legally belong to Suzhou Alphamab which is not a member of the Group;

(ii) the net contribution for the Oncology Business by Suzhou Alphamab on the funding used in the Oncology Business, which was provided by Suzhou Alphamab prior to and during the transition period after the transfer of Oncology Business; and

(iii) the net equity impact resulting from a group reorganization of the entities comprising the Group that was completed on 25 September 2018.

Consolidated Statement of Cash Flows

For the year ended December 31, 2021

	2021 RMB'000	2020 RMB'000
OPERATING ACTIVITIES		
Loss before taxation	**(412,417)**	(427,766)
Adjustments for:		
Depreciation of right-of-use assets	**12,581**	11,147
Depreciation of property, plant and equipment	**28,521**	18,980
Exchange losses, net	**34,010**	99,923
Gain on derivative financial instruments	**(10,995)**	(6,778)
Finance costs	**13,182**	11,826
Interest income	**(27,807)**	(64,660)
Share-based payment expenses	**8,168**	32,727
Government grants income from deferred income	**(3,224)**	(26,784)
Operating cash flows before movements in working capital	**(357,981)**	(351,385)
Increase in inventories	**(13,587)**	(18,403)
Increase in trade receivables	**(7,606)**	–
Increase in other receivables, deposits and prepayments	**(14,534)**	(19,758)
Increase in trade and other payables	**44,709**	23,919
Increase in deferred income	**–**	15,000
Increase in amount due to a related company	**13,282**	2,978
Increase in contract liabilities	**15,117**	469
NET CASH USED IN OPERATING ACTIVITIES	**(320,600)**	(347,180)
INVESTING ACTIVITIES		
Placement of time deposits with original maturity over three months	**(1,529,442)**	(2,373,340)
Purchase of property, plant and equipment	**(158,119)**	(90,822)
Purchase of financial assets at FVTPL	**(40,260)**	(87,100)
Proceeds from redemption of time deposits with original maturity over three months	**2,203,909**	941,341
Interest received	**57,167**	30,073
Proceeds from disposal of financial assets at FVTPL	**30,014**	55,250
Settlement of derivative financial instruments	**10,995**	915
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**574,264**	(1,523,683)

	2021 RMB'000	2020 RMB'000
FINANCING ACTIVITIES		
Proceeds on issue of ordinary shares by the Company upon the exercise of the over-allotment options of the Company's global offering	–	245,221
New bank borrowings raised	692,466	110,350
Payment of transaction costs directly attributable to issue of new shares in exercising over-allotment options	–	(21,095)
Repayment of lease liabilities	(15,971)	(10,506)
Interest paid	(14,938)	(11,428)
Repayment of bank borrowings	(298,000)	(131,000)
Exercising of share options	345	5,037
NET CASH FROM FINANCING ACTIVITIES	363,902	186,579
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	617,566	(1,684,284)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	185,321	1,867,866
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	419	1,739
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	803,306	185,321

1. GENERAL

Alphamab Oncology (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability on March 28, 2018 under the Companies Law of the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since December 12, 2019. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company is an investment holding company. The Group is principally engaged in research and development ("R&D"), manufacturing and commercialization of biologics of oncology. The principal activities of its subsidiaries are set out in Note 40.

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

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

Amendments to IFRSs that are mandatorily effective for the current year

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

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

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee of the IASB issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

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

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

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	Insurance Contracts and the related Amendments[2]
Amendments to IFRS 3	Reference to the Conceptual Framework[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 IAS 1	Classification of Liabilities as Current or Non-current[2]
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]
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]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018 – 2020[1]

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

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

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

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

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

3.1 Basis of preparation of consolidated financial statements

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

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

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

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

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

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

3.1 Basis of preparation of consolidated financial statements (Continued)

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

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

3.2 Significant accounting policies

Basis of consolidation

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

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

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

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

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

3.2 Significant accounting policies (Continued)

Basis of consolidation (Continued)

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

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

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

Interests in joint operations

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

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRS Standards applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognized in the consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognize its share of the gains and losses until it resells those assets to a third party.

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

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers

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

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

Except for granting of license that is distinct from other promised goods or services, control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

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

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

For granting of a license that is distinct from other promised goods or services, the nature of the Group's promise in granting a license is a promise to provide a right to access the Group's intellectual property if all of the following criteria are met:

- the contract requires, or the customer reasonably expects, that the Group will undertake activities that significantly affect the intellectual property to which the customer has rights;
- the rights granted by the license directly expose the customer to any positive or negative effects of the Group's activities; and
- those activities do not result in the transfer of a good or service to the customer as those activities occur.

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

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

If the criteria above are met, the Group accounts for the promise to grant a license as a performance obligation satisfied over time. Otherwise, the Group considers the grant of license as providing the customers the right to use the Group's intellectual property and the performance obligation is satisfied at a point in time at which the license is granted.

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

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

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

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

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

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognize revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

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

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

Variable consideration

For licensing arrangement contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using the most likely amount, which best predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of the reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Notwithstanding the above criteria, the Group shall recognize revenue for a sales-based or usage-based royalty promised in exchange for a license of intellectual property only when (or as) the later of the following events occurs:

- the subsequent sales or usage occurs; and
- the performance obligation to which some or all of the sales-based or usage-based royalty has been allocated has been satisfied

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

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

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

Existence of significant financing component (Continued)

For advance payments received from customers before the transfer of the associated goods or services in which the Group adjusts for the promised amount of consideration for a significant financing component, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The relevant interest expenses during the period between the advance payments were received and the transfer of the associated goods and services are accounted for on the same basis as other borrowing costs.

Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

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

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

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

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Short-term leases and leases of low-value assets

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

Right-of-use assets

Except for short-term leases and leases of low-value assets, the Group recognizes right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

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

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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

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

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

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

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

Lease modifications

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

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

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

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

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

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

3.2 Significant accounting policies (Continued)

Foreign currencies

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of translation reserve.

Borrowing costs

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

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalization rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

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

3.2 Significant accounting policies (Continued)

Government grants

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

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

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

Employee benefits

Pension obligations

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

Short-term employee benefits

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

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

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

3.2 Significant accounting policies (Continued)

Share-based payment

Equity-settled share-based payment transactions

Shares/Share options granted to employees

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

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

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

When shares granted are vested, the amount previously recognized in share-based payments reserve will be transferred to accumulated losses.

An expense is recognized 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 the modification reduces the fair value of the equity instruments granted, measured immediately before and after the modification, the decrease in fair value will not be recognized. The amount recognized for services received continues to be measured based on the grant date fair value of the instrument originally granted.

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

3.2 Significant accounting policies (Continued)

Share-based payment (Continued)

Equity-settled share-based payment transactions (Continued)

Shares/Share options granted to employees (Continued)

Where the modification reduces the number of equity instruments granted to an employee, the reduction is accounted for as a cancellation of that portion of the grant.

Where the modification of vesting conditions is a manner that is not beneficial to the employee, the amount recognized for services received shall not take the modified vesting conditions into account and continues to be measured based on the grant date vesting conditions of the instrument originally granted.

When share options are cancelled during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), the Group immediately recognizes the cancellation of share options as an acceleration of vesting as share based payment expenses.

Taxation

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

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

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

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

3.2 Significant accounting policies (Continued)

Taxation (Continued)

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

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

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

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

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

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

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

3.2 Significant accounting policies (Continued)

Taxation (Continued)

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

Current and deferred tax are recognized in profit or loss.

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

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

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

3.2 Significant accounting policies (Continued)

Property, plant and equipment (Continued)

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

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

Impairment on property, plant and equipment and right-of-use assets

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

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

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

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

3.2 Significant accounting policies (Continued)

Impairment on property, plant and equipment and right-of-use assets (Continued)

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

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

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

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

3.2 Significant accounting policies (Continued)

Research and development expenditure

Expenditure on research activities, including mainly the outsourcing service fees, research and development staff costs and raw material costs, is recognized as an expense in the period in which it is incurred. The outsourcing service fees included in the R&D expenditure are typically performed across the financial reporting periods. The allocation of outsourcing service fees to the appropriate financial reporting period and accruals as at reporting date based on the progress of the R&D projects involves estimation by the management.

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

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

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

3.2 Significant accounting policies (Continued)

Research and development expenditure (Continued)

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

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

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

Inventories

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

Financial instruments

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

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

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

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

All other financial assets are subsequently measured at FVTPL.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortized cost or financial assets at fair value through other comprehensive income as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

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

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(i) Amortized cost and interest income

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

(ii) Financial assets at FVTPL

Financial assets of the Group that do not meet the criteria for being measured at amortized cost are measured at FVTPL.

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

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, time deposits with original maturity over three months and cash and cash equivalents). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

The Group always recognizes lifetime ECL for trade receivables. The ECL on these assets are assessed either individually for debtors with significant balances and credit-impaired receivables or collectively with appropriate groupings.

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

(i) Significant increase in credit risk

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

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

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

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

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

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

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition.

when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

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

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

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

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

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

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

(e) the disappearance of an active market for that financial asset because of financial difficulties.

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

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

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

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

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL (Continued)

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

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

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

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

Derecognition of financial assets

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

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

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

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortized cost

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

Derecognition of financial liabilities

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

Derivative financial instruments

Derivatives are initially recognized at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss.

Offsetting a financial asset and a financial liability

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

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgement in applying accounting policies

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

Research and development expenses

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

The directors of the Company assessed the progress of each of the R&D projects and determine whether the criteria are met for capitalization. During the years ended December 31, 2021 and 2020, all the related development costs are expensed when incurred.

Key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty (Continued)

Provision of ECL for trade receivables

Trade receivables with significant balances are assessed for ECL individually. In addition, for trade receivables which are individually insignificant or when the Group does not have reasonable and supportable information that is available without undue cost or effort to measure lifetime ECL on individual basis, collective assessment is adopted. The management of the Group estimates the amount of lifetime ECL of trade receivables based on collective assessment through grouping of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors, ageing and/or past due status of respective trade receivables. Estimated loss rates are based on default rates over the expected life of the debtors and are adjusted for forward-looking information.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Note 32.

Accrual of outsourcing service fees

The Group relies on contract research organizations ("CROs"), contract manufacturing organizations ("CMOs"), clinical research coordinators ("CRCs") and clinical trial sites ("CTSs"), mainly being hospitals (collectively referred to as the "Outsourced Service Providers") to conduct, supervise, and monitor the Group's ongoing clinical trials. Determining the amounts of outsourcing service fees incurred up to the end of each reporting period requires the management of the Group to estimate and measure the progress of receiving outsourcing services under the contracts with Outsourced Service Providers using inputs such as number of patient enrolments, time elapsed, milestone achieved and etc.

As at December 31, 2021, the carrying amount of the accrued outsourcing service fees amounted to RMB70,887,000 (2020: RMB51,150,000) has been recognized in the consolidated statement of financial position and disclosed in Note 22.

Useful lives of property, plant and equipment

The directors of the Company determine the estimated useful lives and the depreciation method in determining the related depreciation charges for its property, plant and equipment. This estimate is reference to the useful lives of property, plant and equipment of similar nature and functions in the industry. The directors of the Company will increase the depreciation charge where useful lives are expected to be shorter than expected. As at December 31, 2021, the carrying amount of property, plant and equipment was RMB475,142,000 (2020: RMB361,030,000) as disclosed in Note 15.

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

Key sources of estimation uncertainty (Continued)

Recognition of revenue arising from co-development and commercialization of drug candidate

The Group entered into an agreement for the co-development and commercialization of a drug candidate with a customer (detailed in Note 5 (i)). Non-refundable upfront payment is recorded under contract liabilities and recognized as revenue over time upon the customer receives and consumes the benefits during the commercialization stage. During the year ended 31 December 2021, co-development and commercialization income of RMB12,000 (2020: Nil) was recognized based on the direct measurements of the value of drug product transferred to the customer to date relative to the value of the budgeted manufacture order from the customer. Management revises its estimate on the budgeted sales from time to time based on changes in facts and circumstances.

5. REVENUE AND SEGMENT INFORMATION

Revenue

The Group derives its revenue from contracts with customers in relation to the transfer of goods and services over time and at a point in time, as follows:

	2021 RMB'000	2020 RMB'000
Time of revenue recognition		
A point in time		
Sales of pharmaceutical products and Royalty income (Note i)	**11,608**	–
License fee income (Note ii)	**132,787**	–
Provision of goods/consumables for research and development projects (Note ii)	**1,614**	–
	146,009	–
Overtime		
Co-development and commercialization income (Note i)	**12**	–
	146,021	–

5. REVENUE AND SEGMENT INFORMATION (Continued)

Revenue (Continued)

(i) Co-development, commercialization of KN035:

Pursuant to an agreement entered into between 3D Medicines and the Group in February 2016, the Group would jointly develop and commercialize with 3D Medicines for KN035, a drug candidate that initially developed by the Group for the treatment of adult patients with advanced solid tumors who have unresectable or metastatic advanced microsatellite instability-high (MSI-H) phenotype/ mismatch-repair deficiency. In return, the Group entitles from 3D Medicines a non-refundable upfront payment of RMB10 million and an exclusive right to manufacture and supply of KN035 product to 3D Medicines for further commercialization to ultimate customers. The non-refundable upfront payment, which was received by the Group in April 2016, was initially recorded as contract liabilities and will be recognized as revenue (i.e. co-development and commercialization income) on the basis of direct measurements of the value of KN035 product transferred to 3D Medicines to date relative to the value of the budgeted manufacturing order from 3D Medicines (i.e. when 3D Medicines receives and consumes the benefits during the commercialization stage). With the commercialization of KN035 in November 2021, the Group commenced to recognize the non-refundable upfront payment as revenue under an estimated product life of 15 years. During the year ended December 31, 2021, the Group recognized revenue on co-development and commercialization of KN035 amounting to RMB12,000. As at 31 December 2021, the Group recognized contract liabilities amounting to RMB12,763,000 (Note 25) in relation to this performance obligation, in which RMB172,000 is expected to be recognized as revenue within the next twelve months from the end of the reporting period. In addition, the Group considers the non-refundable upfront payment of RMB10 million from 3D Medicines contains significant financing component and accordingly the amount of consideration is adjusted for the effects of the time value of money at a discount rate of 4.35% per annum taking into consideration the credit characteristics of the party receiving financing in the contract. As this accrual increases the amount of the contract liabilities during the period of development of KN035 drug candidate, it increases the amount of revenue to be recognized when the Group commences the manufacturing of the product and the transfer of control of goods to 3D Medicines for commercialization.

Concurrently, the Group recognized revenue from sales of KN035 product 3D Medicines (Sichuan) Co., Ltd. ("3D Medicines (Sichuan) ") (i.e. sales of pharmaceutical products) at point in time when control of the goods has transferred, being when the goods have been delivered to 3D Medicines (Sichuan) 's specified location. Following delivery, 3D Medicines (Sichuan) has the primary responsibility for the risks of obsolescence and loss in relation to the goods while it can request return or refund of goods only if the goods delivered do not meet the required quality standards. Full prepayments by 3D Medicines (Sichuan) are normally required before any goods delivery. The Group starts selling KN035 product in December 2021 and for the year ended December 31, 2021, revenue recognized on sales of KN035 product amounting to RMB4,433,000.

5. REVENUE AND SEGMENT INFORMATION (Continued)

Revenue (Continued)

(i) Co-development, commercialization of KN035: (Continued)

In December 2021, the Group entered into a supplementary agreement with 3D Medicines (Sichuan) and 3D Medicines pursuant to which the Group shall be entitled to sales-based royalty fees in exchange for the right to use a license of KN035 intellectual property granted to 3D Medicines (Sichuan). The sales-based royalty fees are agreed in the contract based on a specified formula and invoiced on quarterly basis with a normal credit term of 30 days. During the year ended December 31, 2021, revenue recognized on royalty income amounting to RMB7,175,000.

(ii) Out licensing KN026:

In August 2021, the Group entered into an agreement with Shanghai JMT-bio Technology Co., Ltd. ("JMT-bio"), an independent third party, pursuant to which the Group granted to JMT-bio an exclusive right of research & development and further commercialization of KN026, a drug candidate that was initially developed by the Group for the treatment of HER2-positive breast cancer and gastric cancer/gastroesophageal junction cancer, in Mainland China.

The considerations for the agreement comprise a fixed element (a non-refundable upfront payment of RMB150 million) and variable elements (including progress-dependent milestones and tiered royalties on the product sales).

The Group determined that the consideration for the non-refundable upfront payment relates to two performance obligations: (1) the grant of a right to use the license and (2) provision of goods/consumables for research and development projects to JMT-bio during clinical trial stage. The Group allocates the total transaction price of the non-refundable upfront payment into these two performance obligations based on their estimated stand-alone selling prices.

For the grant of a right to use the license, revenue is recognized at a point in time when the Group has transferred the license to JMT-bio and JMT-bio has the practical ability to use the license. During the year ended December 31, 2021, the Group recognized revenue of RMB132,787,000 in relation to the grant of a right to use the license, and the remaining fixed transaction price of RMB17,213,000 is allocated to the performance obligation of providing goods/consumables for research and development projects as stated below.

5. REVENUE AND SEGMENT INFORMATION (Continued)

Revenue (Continued)

(ii) Out licensing KN026: (Continued)

For provision of goods/consumables for research and development projects to JMT-bio during clinical trial stage, revenue is recognized at a point in time when control of the goods has been transferred, being when the goods have been delivered and acknowledged by JMT-bio. During the year ended December 31, 2021, the Group recognized revenue of RMB1,614,000 in relation to the performance obligation of providing goods/consumables for research and development projects to JMT-bio. In addition, the Group considers the non-refundable upfront payment of RMB17,213,000 contains a significant financing component and accordingly the amount of consideration is adjusted for the effects of the time value of money at a discount rate of 3.70% per annum taking into consideration the credit characteristics of the party receiving financing in the contract. As this accrual increases the amount of the contract liabilities during the period of development of KN026, it increases the amount of revenue to be recognized as the Group satisfy this performance obligation. As at December 31, 2021, the Group recognized contract liabilities amounting to RMB15,706,000 (Note 25) in relation to this performance obligation, in which RMB4,211,000 is expected to be recognized as revenue within the next twelve months from the end of the reporting period.

As at December 31, 2021, the remaining progress-dependent milestone payments amounted up to an aggregate amount of RMB850 million (2020: nil) (excluding sales-based tiered royalties arrangement in accordance with relevant contracts).

The consideration for tiered royalties relate to the subsequent sales of the drugs upon KN026 commercialization which is linked to the success of the research and development of KN026. The royalties are recognized as revenue when the subsequent sales are made.

Segment information

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

Geographical information

Substantially all of the Group's non-current assets are substantially located in the People's Republic of China ("PRC"), accordingly, no analysis of the operations of its external customers' geographical segment is presented.

5. REVENUE AND SEGMENT INFORMATION (Continued)

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group is as follows:

	2021 RMB'000	2020 RMB'000
Shanghai JMT-bio Technology Co., Ltd. (Note)	**134,401**	–

Note: The revenue represents license fee income earned and income from provision of goods/consumables for research and development projects.

6. OTHER INCOME

	2021 RMB'000	2020 RMB'000
Interest income	**27,807**	64,660
Government grants income (Note)	**13,632**	44,898
Others	**5,515**	1,578
	46,954	111,136

Note: Government grants income mainly includes subsidies from the PRC local government in support of oncology drug development.

7. OTHER LOSSES

	2021 RMB'000	2020 RMB'000
Exchange losses, net	**(41,410)**	(122,148)
Gain on derivative financial instruments	**10,995**	6,778
Others	**(155)**	(2,257)
	(30,570)	(117,627)

8. FINANCE COSTS

	2021 RMB'000	2020 RMB'000
Interest expenses on:		
Bank borrowings	**14,805**	10,439
Contract liabilities	**639**	511
Lease liabilities	**585**	876
	16,029	11,826
Less: Interest capitalized in construction in progress ("CIP")	**(2,847)**	–
	13,182	11,826

Borrowing costs capitalized during the years ended December 31, 2021 arose on the specific bank borrowings for the construction of new facilities as disclosed in Note 26.

9. INCOME TAX EXPENSE

The Company is exempted from taxation under the laws of the Cayman Islands.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC entities is 25% (2020: 25%). On July 11, 2020, Jiangsu Alphamab Biopharmaceuticals Co., Ltd. (江蘇康寧傑瑞生物製藥有限公司) ("Jiangsu Alphamab") was accredited as a "high-tech enterprise" in Suzhou Free Trade Zone and is entitled to obtain a refund from the local government of Suzhou Free Trade Zone for a three-year period since 2020, to compensate for 10% of the Enterprise Income Tax.

Under the Treasury Law Amendment (Enterprise Tax Plan Base Rate Entities) Bill 2017 of Australia, corporate entities who qualify as a small business entity are eligible for a lower corporate tax rate at 26% (2020: 27.5%). Alphamab Australia is qualified as a small business entity and is subject to a corporate tax rate of 26% (2020: 27.5%).

Under the two-tiered profits tax rates regime in Hong Kong, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

9. INCOME TAX EXPENSE (Continued)

Under the US Tax Cuts and Jobs Act, the US corporate income tax is charged at a rate of 21%.

No provision for income taxation has been made as the Company and its subsidiaries either had no assessable profit or incurred tax losses in all relevant places of operation for both years.

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

	2021	2020
	RMB'000	RMB'000
Loss before taxation	**(412,417)**	(427,766)
Tax at the PRC EIT rate of 25% (2020: 25%)	**(103,104)**	(106,941)
Tax effect of expenses not deductible for tax purpose	**16,850**	29,651
Tax effect of deductible temporary differences not recognized	**3,711**	183
Tax effect of tax losses not recognized	**196,641**	130,915
Effect of super deduction for R&D expenses (Note)	**(114,098)**	(53,808)
Income tax for the year	**–**	–

Note: Pursuant to Caishui 2021 circular No. 13, Jiangsu Alphamab enjoys super deduction of 200% (2020: 175%) on qualifying R&D expenditures from January 1, 2021.

9. INCOME TAX EXPENSE (Continued)

The Group had unused tax losses of RMB1,814,693,000 (2020: RMB1,028,129,000) available for offset against future profits as at December 31, 2021. Included in unused tax losses as at December 31, 2021 and 2020 is a consideration paid of RMB132,180,000 for the transfer of the Oncology Business which can be offset against future profits. No deferred tax asset has been recognized in respect of the unused tax losses due to the unpredictability of future profit streams. As December 31, 2021 and 2020, the unrecognized tax losses will be carried forward and expire in years as follows:

	2021	2020
	RMB'000	RMB'000
2022	**4,647**	4,647
2023	**240,375**	240,375
2024	**259,446**	259,446
2025	**523,661**	523,661
2026	**786,564**	–
	1,814,693	1,028,129

As at 31 December 2021, the Group also had a net deductible temporary differences that can be offset each other, mainly related to unrealized exchange gain and loss, contract liabilities and lease liabilities, of RMB22,592,000 (2020: RMB7,748,000). No deferred tax asset has been recognized in relation to such deductible temporary differences as it is not probable that any taxable profit will be available against which the deductible temporary differences can be utilized.

10. LOSS FOR THE YEAR

	2021 RMB'000	2020 RMB'000
Loss for the year has been arrived at after charging:		
Directors' remuneration (Note 12)	**18,525**	23,738
Other staff costs:		
Salaries and other allowances	**101,849**	67,511
Retirement benefits scheme contributions	**18,446**	5,722
Share-based payment expenses	**227**	17,788
Total staff costs	**139,047**	114,759
Auditor's remuneration	**2,414**	2,690
Short-term lease expenses	**335**	344
Depreciation of property, plant and equipment	**28,521**	18,980
Depreciation of right-of-use assets	**12,581**	11,147
Cost of inventories recognized as an expense	**74,053**	61,429

11. DIVIDENDS

No dividend was paid or proposed for the shareholders of the Company during the year ended December 31, 2021 (2020: Nil), nor has any dividend been proposed since the end of the reporting period.

12. DIRECTORS AND CHIEF EXECUTIVE'S EMOLUMENTS

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

(a) Executive and non-executive directors

Year ended December 31, 2021

	Directors' fees RMB'000	Salaries and other allowances RMB'000	Discretionary bonuses RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Executive directors:					
Dr. Xu (note i)	–	5,340	1,290	84	6,714
Ms. Liu Yang	–	2,259	600	112	2,971
Non-executive directors:					
Mr. Qiu, Yu Min (note ii)	–	–	–	–	–
Mr. Xu, Zhan Kevin (note ii)	–	–	–	–	–

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

(a) Executive and non-executive directors (Continued)

Year ended December 31, 2020

	Directors' fees RMB'000	Salaries and other allowances RMB'000	Discretionary bonuses RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Executive directors:					
Dr. Xu (note i)	–	3,649	1,445	39	5,133
Ms. Liu Yang	–	2,039	669	39	2,747
Non-executive directors:					
Mr. Qiu, Yu Min (note ii)	–	–	–	–	–
Mr. Xu, Zhan Kevin (note ii)	–	–	–	–	–

In addition to the emoluments shown above, Dr. Xu and Ms. Liu Yang were granted share options in respect of their service to the Group.

During the year ended December 31, 2021, RMB7,787,000 (2020: RMB14,939,000) was recognized as share-based payment expense in the consolidated statement of profit or loss and other comprehensive income for their granted share options. Details of the share-based payment are set out in Note 30.

Notes:

(i) Dr. Xu is the chairman, chief executive and an executive director of the Company.

(ii) No emoluments were paid or payable to Mr. Qin Yu Min and Mr. Xu Zhan Kevin for their services as non-executive directors of the Company for both years.

(iii) None of the directors nor the chief executive of the Company waived or agreed to waive any emoluments during both years.

(iv) During both years, no emoluments were paid by the Group to any of the directors nor the chief executive of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

(v) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Group. The discretionary bonuses were determined with reference to their duties, responsibilities and performance.

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

(b) Independent non-executive directors

Year ended December 31, 2021

	Directors' fees RMB'000	Salaries and other allowances RMB'000	Discretionary bonuses RMB'000	Retirement benefits scheme contributions RMB'000	Share-based payment expenses RMB'000	Total RMB'000
Independent Non-executive directors:						
Dr. Guo Zijian	121	–	–	–	–	121
Dr. Jiang Hualiang	198	–	–	–	–	198
Mr. Wei Kevin Cheng	290	–	–	–	77	367
Mr. Wu Dong	290	–	–	–	77	367

Year ended December 31, 2020

	Directors' fees RMB'000	Salaries and other allowances RMB'000	Discretionary bonuses RMB'000	Retirement benefits scheme contributions RMB'000	Share-based payment expenses RMB'000	Total RMB'000
Independent Non-executive directors:						
Dr. Jiang Hualiang	300	–	–	–	–	300
Mr. Wei Kevin Cheng	311	–	–	–	–	311
Mr. Wu Dong	308	–	–	–	–	308

Note: Dr. Guo Zijian was appointed as an independent non-executive director on August 27, 2021 upon the resignation of Dr. Jiang Hualiang as the independent non-executive director on the same date. The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

13. EMPLOYEES' EMOLUMENTS

For the year ended December 31, 2021, the five highest paid individuals of the Group included two (2020: two) executive directors, and their emoluments are set out in Note 12(a) above. Details of the emoluments of the remaining three (2020: three) individuals are as follows:

	2021 RMB'000	2020 RMB'000
Salaries and other allowances	5,827	5,500
Discretionary bonuses	296	799
Retirement benefits scheme contributions	207	49
Share-based payment expenses	1,860	6,668
	8,190	13,016

Their emoluments were within the following bands:

	2021 No. of employees	2020 No. of employees
HK$1,500,001 to HK$2,000,000	1	–
HK$2,000,001 to HK$2,500,000	–	1
HK$2,500,001 to HK$3,000,000	1	–
HK$5,000,001 to HK$5,500,000	1	–
HK$5,500,001 to HK$6,000,000	–	1
HK$7,000,001 to HK$7,500,000	–	1

No emoluments were paid by the Group to 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 both years.

14. LOSS PER SHARE

The calculations of the basic and diluted loss per share are based on the following data:

	2021 RMB'000	2020 RMB'000
Loss:		
Loss for the year attributable to owners of the Company for the purposes of calculating basic and diluted loss per share	**(412,417)**	(427,766)
Number of shares ('000):		
Weighted average number of shares for the purposes of basic and diluted loss per share	**935,486**	929,749

The calculation of basic and diluted loss per share for the years ended December 31, 2021 and 2020, has not considered, where appropriate, the share options awarded under the pre-IPO share option scheme as disclosed in Note 30(a), the share options awarded under the post-IPO share option scheme as disclosed in Note 30(b), and the restricted shares that have not yet been vested (Note 28 & Note 30(d)) as their inclusion would be anti-dilutive. The calculation of diluted loss per share for the year ended December 31, 2020 has also not considered the exercise of the Company's over-allotment options as their inclusion would be anti-dilutive.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Leasehold improvements RMB'000	Furniture and other equipment RMB'000	CIP RMB'000	Total RMB'000
COST						
As at January 1, 2020	231,581	21,584	408	13,309	67,270	334,152
Additions	–	1,433	–	2,259	44,367	48,059
Transfer	6,155	63,937	–	18,123	(88,215)	–
As at December 31, 2020	237,736	86,954	408	33,691	23,422	382,211
Additions	–	159	570	19	152,615	153,363
Transfer	346	16,201	936	15,473	(32,956)	–
Disposal	–	–	–	(12)	–	(12)
Adjustment of cost (Note)	(10,683)	(29)	(17)	–	–	(10,729)
As at December 31, 2021	227,399	103,285	1,897	49,171	143,081	524,833
DEPRECIATION						
As at January 1, 2020	913	1	212	1,075	–	2,201
Provided for the year	10,951	3,264	114	4,651	–	18,980
As at December 31, 2020	11,864	3,265	326	5,726	–	21,181
Provided for the year	11,167	8,700	175	8,479	–	28,521
Disposal	–	–	–	(11)	–	(11)
As at December 31, 2021	23,031	11,965	501	14,194	–	49,691
CARRYING VALUES						
As at December 31, 2021	204,368	91,320	1,396	34,977	143,081	475,142
As at December 31, 2020	225,872	83,689	82	27,965	23,422	361,030

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment other than CIP are depreciated over their estimated useful lives, using straight-line method after taking into account the residual values, at the following rates per annum or over the following period:

Buildings	4.75%
Plant and machinery	9.50%
Leasehold improvements	Over the shorter of the term of the relevant lease or 20%
Furniture and other equipment	19% – 31.67%

Details of the pledged property, plant and equipment are set out in Note 36.

Note: The amounts represent the reversal of the over accrued construction costs on certain property, plant and equipment and the construction of which were completed in previous years while the completion verifications were not finalized until 2021.

16. RIGHT-OF-USE ASSETS

	Land use rights RMB'000	Property, plant and equipment RMB'000	Total RMB'000
As at January 1, 2020			
Carrying amounts	22,669	19,684	42,353
As at December 31, 2020			
Carrying amounts	22,175	9,816	31,991
As at December 31, 2021			
Carrying amounts	21,680	33,701	55,381
For the year ended December 31, 2020			
Depreciation charge	494	10,653	11,147
For the year ended December 31, 2021			
Depreciation charge	495	12,086	12,581

16. RIGHT-OF-USE ASSETS (Continued)

	2021 RMB'000	2020 RMB'000
Total cash outflow for leases (Note)	**17,161**	11,736
Additions to right-of-use assets	**39,051**	785

Note: The total cash outflows for leases amounted to RMB17,161,000 (2020: RMB11,736,000) (including short-term leases) for the year ended December 31, 2021, out of which RMB10,066,000 (2020: RMB10,066,000) was paid to Suzhou Alphamab.

The Group leased various property, plant and equipment to operate its R&D activities. The lease terms range from 6 months to 3 years for both years. The lease agreements did not contain any contingent rent nor any extension or purchase option for the Group as a lessee. The lease agreements also do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Included in property, plant and equipment of the right-of-use assets are i) offices of RMB12,126,000 (2020: RMB466,000) and ii) plant and equipment of RMB21,575,000 (2020: RMB9,350,000). In addition, lease liabilities of RMB39,051,000 (2020: RMB785,000) are recognized with related right-of-use assets of RMB39,051,000 (2020: RMB785,000) during the year ended December 31, 2021.

In addition, the Group owns several industrial buildings where its manufacturing facilities are primarily located and office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

As at December 31, 2020 and 2021, all right-of-use assets are located in the PRC.

Details of pledged land use rights in support of the Group's general banking facilities are set out in Note 36.

17. INVENTORIES

	2021 RMB'000	2020 RMB'000
Raw materials and other consumables	**49,989**	44,321
Work in progress	**5,741**	–
Finished goods	**2,178**	–
	57,908	44,321

18. TRADE RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables with contracts with customers	**7,606**	–

As at 1 January 2020, there were no trade receivables from contracts with customers.

The following is an ageing analysis of trade receivables, representing the royalty fee income, presented based on the date when the Group obtains the unconditional rights for payment at the end of the reporting period.

	2021 RMB'000	2020 RMB'000
0 – 60 days	**7,606**	–

As at December 31, 2021, none of the Group's trade receivables are past due as at the reporting date.

19. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2021 RMB'000	2020 RMB'000
Deposits	**2,007**	1,302
Interest receivables	**12,021**	41,853
Prepayments	**46,546**	41,290
Other receivables	**766**	1,097
Value-added tax recoverable	**42,602**	33,729
Total	**103,942**	119,271
Presented as non-current assets	**44,021**	34,476
Presented as current assets	**59,921**	84,795
	103,942	119,271

20. FINANCIAL ASSETS AT FVTPL

As at December 31, 2021, the Group placed with licensed commercial banks in the PRC for RMB-denominated wealth management products with maturity within 1 year after the end of the reporting period. The indicative annual interest rates for the wealth management products ranged from 2.46% to 3.39% per annum as at December 31, 2021 (2020: 2.40% to 2.95%), however, the actual interest to be received is uncertain until maturity and the principal is not protected. Such wealth management products were accounted for as financial assets at FVTPL under IFRS 9.

21. TIME DEPOSITS WITH ORIGINAL MATURITY OVER THREE MONTHS/ CASH AND CASH EQUIVALENTS

	2021 RMB'000	2020 RMB'000
Cash at banks and on hand	270,764	44,479
Time deposits with original maturity less than three months (Note)	532,542	140,842
Cash and cash equivalents	803,306	185,321
Time deposits with original maturity over three months (Note)	1,128,168	1,835,398
	1,931,474	2,020,719

Note: The time deposits were placed with licensed commercial banks in the PRC. The time deposits confer the Group rights of early redemption at amortized cost before the maturity date. The time deposits carry interest at fixed rates ranging from 1.00% to 3.66% per annum as at December 31, 2021 (2020: 0.01% to 3.66% per annum).

Bank balances carry interest at prevailing market interest rates ranging from 0.01% to 0.30% per annum as at December 31, 2021 (2020: 0.01% to 0.30% per annum).

The Group's cash and cash equivalents and time deposits with original maturity over three months that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2021 RMB'000	2020 RMB'000
United States Dollars ("US$")	1,480,016	1,745,161
Hong Kong Dollars ("HKD")	109	299

22. TRADE AND OTHER PAYABLES

	2021 RMB'000	2020 RMB'000
Trade payables	**11,434**	1,512
Accrued expenses		
– Outsourcing service fees	**70,887**	51,150
– Other R&D expenses	**10,765**	4,711
– Staff costs	**21,207**	15,858
– Interest payable	**691**	238
– Others	**5,488**	5,650
	109,038	77,607
Payables for acquisition of property, plant and equipment	**21,701**	38,831
Other payables	**7,851**	3,989
Total	**150,024**	121,939

The average credit period of trade payables ranged from 30 to 60 days.

The following is an ageing analysis of trade payables presented based on the invoice dates at the end of reporting period:

	2021 RMB'000	2020 RMB'000
0 – 90 days	**11,434**	1,512

22. TRADE AND OTHER PAYABLES (Continued)

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

	2021 RMB'000	2020 RMB'000
US$	**2,016**	727
Great Britain Pound ("GBP")	**323**	287

23. AMOUNT DUE TO A RELATED COMPANY

The balance is trade in nature, unsecured, interest-free and have no fixed repayment terms.

The following is an aging analysis of the amount due to Suzhou Alphamab which is trade in nature.

	2021 RMB'000	2020 RMB'000
Over 90 days	**17,047**	3,765

24. LEASE LIABILITIES

	2021 RMB'000	2020 RMB'000
Lease liabilities payables		
Within one year	**13,824**	10,146
More than one year, but not exceeding two years	**14,273**	3,309
More than two years, but not exceeding five years	**5,357**	–
	33,454	13,455
Less:		
Amounts show under current liabilities	**13,824**	10,146
Amounts show under non-current liabilities	**19,630**	3,309

24. LEASE LIABILITIES (Continued)

The lease liabilities were measured at the present value of the lease payments that are not yet paid at a weighted average discount rate of 4.24% (2020: 4.99%) per annum. As at December 31, 2021, the lease liabilities included an amount due to Suzhou Alphamab of RMB21,575,000 (2020: RMB13,074,000).

25. CONTRACT LIABILITIES

	2021 RMB'000	2020 RMB'000
Provision of goods/consumables for research and development projects	**15,706**	–
Amounts received in advance for co-development and commercialization of KN035	**12,763**	12,244
Others	**–**	469
	28,469	12,713
Analyzed for reporting purposes as:		
Current (Note ii)	**4,383**	469
Non-current (Note iii)	**24,086**	12,244

Notes:

(i) As at 1 January 2020, contract liabilities amounted to RMB11,733,000.

(ii) The directors of the Company expected the performance obligation of the related contract will be fully satisfied within twelve months from the end of the reporting period. Therefore, the amounts were classified as current liabilities.

(iii) The directors of the Company expected the performance obligation in respect of co-development and commercialization of KN035 and provision of goods/consumables for research and development projects of KN026 during clinical stage will not be fully satisfied within twelve months from the end of the reporting period. Therefore, the amounts were classified as non-current liabilities. The corresponding discount rates are disclosed in Note 5.

26. BANK BORROWINGS

	2021 RMB'000	2020 RMB'000
Secured bank borrowings – variable-rate (Note)	**213,826**	141,350
Unsecured bank borrowings – variable-rate	**389,990**	68,000
	603,816	209,350

Notes: The Group's bank borrowings of RMB213,826,000 as at December 31, 2021 (2020: RMB141,350,000) are specific borrowings drawn down in relation to construction of new facilities and plant and machinery as set out in Note 15.

Carrying amounts of bank borrowings are repayable based on repayment schedules as follows:

	2021 RMB'000	2020 RMB'000
Within one year	**449,990**	188,000
More than one year, but not exceeding two years	**21,350**	–
More than two years, but not exceeding five years	**132,476**	21,350
	603,816	209,350
Less:		
Amounts shown under current liabilities	**449,990**	188,000
Amounts shown under non-current liabilities	**153,826**	21,350

26. BANK BORROWINGS (Continued)

The effective interest rates per annum on the Group's bank borrowings are as follows:

	2021	2020
Effective interest rate:		
Variable-rate bank borrowings	**3.40-4.10%**	3.40-4.10%

Details of pledge of assets in support of the secured bank borrowings are disclosed in Note 36.

27. DERIVATIVE FINANCIAL INSTRUMENTS

	2021 RMB'000	2020 RMB'000
Derivatives (not under hedge accounting)		
Foreign currency forward contracts	**5,876**	5,863
Foreign currency option contracts	**(246)**	–

The Group entered into several foreign exchange forward contracts with banks in order to manage the Group's foreign currency exposure in relation to US$ against RMB and did not elect to adopt hedge accounting for those contracts. The major terms of these contracts as at December 31, 2021 presented in the consolidated financial statements are as follows:

	Average strike rate as at December 31, 2021	Foreign currency as at December 31, 2021 US$'000	Notional value as at December 31, 2021 RMB'000	Fair value as at December 31, 2021 RMB'000
Sell US$				
7 to 12 months	**6.7113**	**28,005**	**187,952**	**5,876**

27. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Under the foreign currency forward contracts, the Group will pay to the bank notional amount of US$ and receive from the bank an amount in RMB equal to the product of the relevant notional amount of US$ anytime before the maturity date and the relevant forward rate as specified within the respective contracts.

The Group entered into several foreign exchange option contracts with banks in order to manage the Group's foreign currency exposure in relation to US$ against RMB and did not elect to adopt hedge accounting for those contracts. The major terms of these contracts as at December 31, 2021 presented in the consolidated financial statements are as follows:

	Average strike rate as at December 31, 2021	Foreign currency as at December 31, 2021 US$'000	Notional value as at December 31, 2021 RMB'000	Fair value as at December 31, 2021 RMB'000
Sell US$				
7 to 12 months	6.8000	20,000	136,000	(246)

Under the foreign currency option contracts, the Group has the right but not the obligation to sell USD and buy RMB at strike rate if the spot rate on the settlement date is at or below the strike rate.

Details of fair value measurement of foreign currency forward/option contracts are disclosed in Note 32.

28. SHARE CAPITAL

	Notes	Number of shares	Par value per share	Amount US$'000
Authorized:				
As at January 1, 2020, December 31, 2020 and December 31, 2021		25,100,000,000	US$0.000002	50
Issued and fully paid:				
As at January 1, 2020		897,011,575	US$0.000002	2
Exercise of the over-allotment option	(a)	26,910,000	US$0.000002	– *
Exercise of share options	(b)	11,017,795	US$0.000002	– *
As at December 31, 2020		934,939,370	US$0.000002	2
Issuance of restricted shares	(c)	1,113,400	US$0.000002	– *
Exercise of share options	(d)	932,250	US$0.000002	– *
As at December 31, 2021		936,985,020		2

28. SHARE CAPITAL (Continued)

	RMB'000
Shown in the consolidated statement of financial position:	
As at December 31, 2020	13
As at December 31, 2021	13

* less than +/- US$1,000

Notes:

(a) On January 4, 2020, 26,910,000 ordinary shares of the Company were allotted and issued by the Company at HK$10.20 per share for gross proceeds of approximately HK$274,482,000 (equivalent to RMB245,221,000) upon the exercise of the over-allotment options by the joint global coordinators on behalf of the international underwriters of the Company's global offering.

(b) During the year ended December 31, 2020, share option holders exercised their rights to subscribe for 9,738,865, 170,675 and 1,108,255 ordinary shares in the Company at US$0.01, US$0.25 and US$0.49 per share, respectively.

(c) On 25 November 2021, the Company granted a total of 1,113,400 shares at RMB1.00 consideration per share to 12 employees of the Group, subject to the accomplishment of certain non-market performance conditions respectively. Employees will be entitled to these shares by the Trustee (as defined in Note 30) once they meet certain vesting conditions agreed in the grant letters and the vesting period begins. The consideration of RMB1.00 per share will be paid when the restricted shares are accepted by the employees and vested.

(d) During the year ended December 31, 2021, share option holders exercised their rights to subscribe for 824,500, 45,250 and 62,500 ordinary shares in the Company at US$0.01, US$0.25 and US$0.49 per share, respectively.

29. DEFERRED INCOME

	2021 RMB'000	2020 RMB'000
Income related government grants	1,992	5,216

Movements of government grants:

	Total RMB'000
At January 1, 2020	17,000
Government grants received	15,000
Amortized to profit or loss	(26,784)
At January 1, 2021	5,216
Amortized to profit or loss	3,224
At December 31, 2021	1,992

30. SHARE-BASED PAYMENT TRANSACTIONS

(a) Equity-settled pre-IPO share option scheme of the Company:

(i) Pursuant to a written resolution of the shareholders of the Company dated October 16, 2018, a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme I") of the Company was approved and adopted. The Pre-IPO Share Option Scheme I was established to recognize and motivate the contribution of the eligible persons and to provide incentives and help the Group in retaining its existing employees, including any full time or part time employee (including any executive and non-executive director or proposed executive director and non-executive director) of the Group (the "Employees"), and to recruit additional employees and to provide them with a direct economic interest in attaining the long-term business objectives of the Group. Under the Pre-IPO Share Option Scheme I, the board of directors of the Company may grant options to the eligible persons to subscribe for shares in the Company.

The granted options under the Pre-IPO Share Option Scheme I have a contractual option term of ten years. Options granted must be taken up within 10 years from the date of grant, upon payment US$0.071 per option at the time of exercise (equivalent to HK$0.554 per option). No consideration is payable on the grant of an option. The Group has no legal or constructive obligation to repurchase or settle the options in cash. The options may not be exercised until they vest. Once vested, the vested portion of the options may be exercised in whole or in part, at any time.

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(i) (Continued)

The following table discloses movements of the Company's share options held by the directors and employees of the Group under the Pre-IPO Share Option Scheme I during the years ended December 31, 2021 and 2020:

	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision (Note) US$/US$	Number of share options Outstanding at 01.01.2020	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2020 and 01.01.2021	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2021	Remaining contractual life at 12.31.2021
Timed-based															
Executive director:															
Ms. Liu Yang	10.10.2018	25%	10.10.2018 – 10.10.2019	10.10.2019 – 10.10.2028	0.071/0.0142	280,000	–	–	–	280,000	–	–	–	280,000	6.8 years
		25%	10.10.2018 – 10.10.2020	10.10.2020 – 10.10.2028	0.071/0.0142	280,000	–	–	–	280,000	–	–	–	280,000	6.8 years
		25%	10.10.2018 – 10.10.2021	10.10.2021 – 10.10.2028	0.071/0.0142	280,000	–	–	–	280,000	–	–	–	280,000	6.8 years
		25%	10.10.2018 – 10.10.2022	10.10.2022 – 10.10.2028	0.071/0.0142	280,000	–	–	–	280,000	–	–	–	280,000	6.8 years
						1,120,000	–	–	–	1,120,000	–	–	–	1,120,000	
Employees:															
Management	10.10.2018	30%	10.10.2018 – 10.10.2019	10.10.2019 – 10.10.2028	0.071/0.0142	336,000	–	–	(181,000)	155,000	–	–	(155,000)	–	6.8 years
		30%	10.10.2018 – 10.10.2020	10.10.2020 – 10.10.2028	0.071/0.0142	336,000	(336,000)	–	–	–	–	–	–	–	6.8 years
		20%	10.10.2018 – 10.10.2021	10.10.2021 – 10.10.2028	0.071/0.0142	224,000	(224,000)	–	–	–	–	–	–	–	6.8 years
		20%	10.10.2018 – 10.10.2022	10.10.2022 – 10.10.2028	0.071/0.0142	224,000	(224,000)	–	–	–	–	–	–	–	6.8 years
						1,120,000	(784,000)	–	(181,000)	155,000	–	–	(155,000)	–	

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(i) (Continued)

	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision (Note) US$/US$	Number of share options Outstanding at 01.01.2020	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2020 and 01.01.2021	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2021	Remaining contractual life at 12.31.2021
Timed-based (Continued)															
Employees:															
Management	10.10.2018	40%	10.10.2018 – 10.10.2019	10.10.2019 – 10.10.2028	0.071/0.0142	44,000	–	–	(31,000)	13,000	–	–	(13,000)	–	6.8 years
		30%	10.10.2018 – 10.10.2020	10.10.2020 – 10.10.2028	0.071/0.0142	33,000	–	–	–	33,000	–	–	(33,000)	–	6.8 years
		15%	10.10.2018 – 10.10.2021	10.10.2021 – 10.10.2028	0.071/0.0142	16,500	–	–	–	16,500	–	–	–	16,500	6.8 years
		15%	10.10.2018 – 10.10.2022	10.10.2022 – 10.10.2028	0.071/0.0142	16,500	–	–	–	16,500	–	–	–	16,500	6.8 years
						110,000	–	–	(31,000)	79,000	–	–	(46,000)	33,000	

Note: On November 24, 2019, pursuant to a resolution of the shareholders of the Company, it was approved that a share subdivision pursuant to which each issued and unissued share capital was split into five shares of the corresponding class with par value of US$0.000002 each (the "Share Subdivision"). This applies to Pre-IPO Share Option Scheme I & Pre-IPO Share Option Scheme II in Note 30(a).

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(i) (Continued)

						Number of share options									
	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Outstanding at 01.01.2020	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2020 and 01.01.2021	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2021	Remaining contractual life at 12.31.2021
Timed-based (Continued)															
Employees:	10.10.2018	25%	10.10.2018 – 10.10.2019	10.10.2019 – 10.10.2028	0.071/0.0142	206,250	(15,000)	–	(191,250)	–	–	–	–	–	6.8 years
Management		25%	10.10.2018 – 10.10.2020	10.10.2020 – 10.10.2028	0.071/0.0142	206,250	(15,000)	–	(100,750)	90,500	–	–	(90,500)	–	6.8 years
		25%	10.10.2018 – 10.10.2021	10.10.2021 – 10.10.2028	0.071/0.0142	206,250	(15,000)	–	–	191,250	(121,250)	–	(35,000)	35,000	6.8 years
		25%	10.10.2018 – 10.10.2022	10.10.2022 – 10.10.2028	0.071/0.0142	206,250	(15,000)	–	–	191,250	(191,250)	–	–	–	6.8 years
						825,000	(60,000)	–	(292,000)	473,000	(312,500)	–	(125,500)	35,000	
Executive director:															
Dr. Xu	06.30.2019	25%	06.30.2019 – 10.10.2019	10.10.2019 – 06.30.2029	0.071/0.0142	1,751,475	–	–	(1,751,475)	–	–	–	–	–	7.5 years
		25%	06.30.2019 – 10.10.2020	10.10.2020 – 06.30.2029	0.071/0.0142	1,751,470	–	–	–	1,751,470	–	–	–	1,751,470	7.5 years
		25%	06.30.2019 – 10.10.2021	10.10.2021 – 06.30.2029	0.071/0.0142	1,751,475	–	–	–	1,751,475	–	–	–	1,751,475	7.5 years
		25%	06.30.2019 – 10.10.2022	10.10.2022 – 06.30.2029	0.071/0.0142	1,751,470	–	–	–	1,751,470	–	–	–	1,751,470	7.5 years
						7,005,890	–	–	(1,751,475)	5,254,415	–	–	–	5,254,415	

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(i) (Continued)

	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Number of share options Outstanding at 01.01.2020	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2020 and 01.01.2021	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2021	Remaining contractual life at 12.31.2021
Timed-based (Continued)															
Employees:	06.30.2019	25%	06.30.2019 – 10.10.2019	10.10.2019 – 06.30.2029	0.071/0.0142	1,857,015	–	–	(1,482,015)	375,000	–	–	–	375,000	7.5 years
Management		25%	06.30.2019 – 10.10.2020	10.10.2020 – 06.30.2029	0.071/0.0142	1,857,010	–	–	(80,835)	1,776,175	–	–	–	1,776,175	7.5 years
		25%	06.30.2019 – 10.10.2021	10.10.2021 – 06.30.2029	0.071/0.0142	1,857,010	(1,401,175)	–	–	455,835	(80,832)	–	–	375,003	7.5 years
		25%	06.30.2019 – 10.10.2022	10.10.2022 – 06.30.2029	0.071/0.0142	1,857,010	(1,401,175)	–	–	455,835	(80,833)	–	–	375,002	7.5 years
						7,428,045	(2,802,350)	–	(1,562,850)	3,062,845	(161,665)	–	–	2,901,180	
Employees:															
Management	06.30.2019	25%	06.30.2019 – 10.10.2020	10.10.2020 – 06.30.2029	0.071/0.0142	128,220	–	(71,605)	(56,615)	–	–	–	–	–	7.5 years
		25%	06.30.2019 – 10.10.2021	10.10.2021 – 06.30.2029	0.071/0.0142	128,220	–	(71,605)	–	56,615	–	–	–	56,615	7.5 years
		25%	06.30.2019 – 10.10.2022	10.10.2022 – 06.30.2029	0.071/0.0142	128,220	–	(71,605)	–	56,615	–	–	–	56,615	7.5 years
		25%	06.30.2019 – 10.10.2023	10.10.2023 – 06.30.2029	0.071/0.0142	128,210	–	(71,595)	–	56,615	–	–	–	56,615	7.5 years
						512,870	–	(286,410)	(56,615)	169,845	–	–	–	169,845	

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(i) (Continued)

	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Number of share options Outstanding at 01.01.2020	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2020 and 01.01.2021	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2021	Remaining contractual life at 12.31.2021
Timed-based (Continued)															
Employees:															
Management	06.30.2019	25%	06.30.2019 – 10.10.2019	10.10.2019 – 06.30.2029	0.071/0.0142	350,295	(350,295)	–	–	–	–	–	–	–	7.5 years
		32%	06.30.2019 – 10.10.2020	10.10.2020 – 06.30.2029	0.071/0.0142	448,380	(448,380)	–	–	–	–	–	–	–	7.5 years
		32%	06.30.2019 – 10.10.2021	10.10.2021 – 06.30.2029	0.071/0.0142	448,380	(448,380)	–	–	–	–	–	–	–	7.5 years
		11%	06.30.2019 – 10.10.2022	10.10.2022 – 06.30.2029	0.071/0.0142	154,125	(154,125)	–	–	–	–	–	–	–	7.5 years
						1,401,180	(1,401,180)	–	–	–	–	–	–	–	
Employees:															
Management	11.08.2019	25%	11.08.2019 – 11.08.2020	11.08.2020 – 11.08.2029	0.071/0.0142	157,500	–	–	–	157,500	–	–	(157,500)	–	7.9 years
		25%	11.08.2019 – 11.08.2021	11.08.2021 – 11.08.2029	0.071/0.0142	157,500	–	–	–	157,500	(157,500)	–	–	–	7.9 years
		25%	11.08.2019 – 11.08.2022	11.08.2022 – 11.08.2029	0.071/0.0142	157,500	–	–	–	157,500	(157,500)	–	–	–	7.9 years
		25%	11.08.2019 – 11.08.2023	11.08.2023 – 11.08.2029	0.071/0.0142	157,500	–	–	–	157,500	(157,500)	–	–	–	7.9 years
						630,000	–	–	–	630,000	(472,500)	–	(157,500)	–	

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(i) (Continued)

						Number of share options									
	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Outstanding at 01.01.2020	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2020 and 01.01.2021	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2021	Remaining contractual life at 12.31.2021
Timed-based (Continued)															
Employees:															
Others	11.08.2019	25%	11.08.2019 – 11.08.2020	11.08.2020 – 11.08.2029	0.071/0.0142	47,500	(25,000)	–	–	22,500	–	–	–	22,500	7.9 years
		25%	11.08.2019 – 11.08.2021	11.08.2021 – 11.08.2029	0.071/0.0142	47,500	(25,000)	–	–	22,500	–	–	–	22,500	7.9 years
		25%	11.08.2019 – 11.08.2022	11.08.2022 – 11.08.2029	0.071/0.0142	47,500	(25,000)	–	–	22,500	–	–	–	22,500	7.9 years
		25%	11.08.2019 – 11.08.2023	11.08.2023 – 11.08.2029	0.071/0.0142	47,500	(25,000)	–	–	22,500	–	–	–	22,500	7.9 years
						190,000	(100,000)	–	–	90,000	–	–	–	90,000	
Time-based sub-total						20,342,985	(5,147,530)	(286,410)	(3,874,940)	11,034,105	(946,665)	–	(484,000)	9,603,440	

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(i) (Continued)

						Number of share options									
	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Outstanding at 01.01.2020	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2020 and 01.01.2021	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2021	Remaining contractual life at 12.31.2021
Milestone-based (note)															
Employees:															
Others (Note)	10.10.2018	25%	10.10.2018 – 12.12.2019	12.12.2019 – 10.10.2028	0.071/0.0142	440,000	(81,875)	–	(356,250)	1,875	–	–	(1,875)	–	6.8 years
		25%	10.10.2018 – 09.30.2021	09.30.2021 – 10.10.2028	0.071/0.0142	440,000	(150,625)	–	–	289,375	(110,000)	–	(18,125)	161,250	6.8 years
		25%	10.10.2018 – 12.31.2022	12.31.2022 – 10.10.2028	0.071/0.0142	440,000	(150,625)	–	–	289,375	(110,000)	–	–	179,375	6.8 years
		15%	10.10.2018 – 06.30.2023	06.30.2023 – 10.10.2028	0.071/0.0142	264,000	(90,375)	–	–	173,625	(66,000)	–	–	107,625	6.8 years
		10%	10.10.2018 – 06.30.2025	06.30.2025 – 10.10.2028	0.071/0.0142	176,000	(60,250)	–	–	115,750	(44,000)	–	–	71,750	6.8 years
						1,760,000	(533,750)	–	(356,250)	870,000	(330,000)	–	(20,000)	520,000	

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(i) (Continued)

						Number of share options									
	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Outstanding at 01.01.2020	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2020 and 01.01.2021	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2021	Remaining contractual life at 12.31.2021
Milestone-based (note) (Continued)															
Executive director:															
Ms. Liu Yang	10.10.2018	100%	10.10.2018 – 12.12.2019	12.12.2019 – 10.10.2028	0.071/0.0142	1,120,000	–	–	–	1,120,000	–	–	–	1,120,000	6.8 years
Employees:															
Management	10.10.2018	25%	10.10.2018 – 12.12.2019	12.12.2019 – 10.10.2028	0.071/0.0142	747,500	–	–	(434,500)	313,000	–	–	(313,000)	–	6.8 years
		25%	10.10.2018 – 09.30.2021	09.30.2021 – 10.10.2028	0.071/0.0142	747,500	(280,000)	–	–	467,500	(311,250)	–	–	156,250	6.8 years
		25%	10.10.2018 – 12.31.2022	12.31.2022 – 10.10.2028	0.071/0.0142	747,500	(280,000)	–	–	467,500	(311,250)	–	–	156,250	6.8 years
		15%	10.10.2018 – 06.30.2023	06.30.2023 – 10.10.2028	0.071/0.0142	448,500	(168,000)	–	–	280,500	(186,750)	–	–	93,750	6.8 years
		10%	10.10.2018 – 06.30.2025	06.30.2025 – 10.10.2028	0.071/0.0142	299,000	(112,000)	–	–	187,000	(124,500)	–	–	62,500	6.8 years
						2,990,000	(840,000)	–	(434,500)	1,715,500	(933,750)	–	(313,000)	468,750	

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(i) (Continued)

	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Number of share options Outstanding at 01.01.2020	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2020 and 01.01.2021	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2021	Remaining contractual life at 12.31.2021
Milestone-based (note) (Continued)															
Executive director:															
Dr. Xu	06.30.2019	25%	06.30.2019 – 12.12.2019	12.12.2019 – 06.30.2029	0.071/0.0142	1,751,475	–	–	(1,751,475)	–	–	–	–	–	7.5 years
		25%	06.30.2019 – 09.30.2021	09.30.2021 – 06.30.2029	0.071/0.0142	1,751,470	–	–	–	1,751,470	–	–	–	1,751,470	7.5 years
		25%	06.30.2019 – 12.31.2022	12.31.2022 – 06.30.2029	0.071/0.0142	1,751,475	–	–	–	1,751,475	–	–	–	1,751,475	7.5 years
		15%	06.30.2019 – 06.30.2023	06.30.2023 – 06.30.2029	0.071/0.0142	1,050,885	–	–	–	1,050,885	–	–	–	1,050,885	7.5 years
		10%	06.30.2019 – 06.30.2025	06.30.2025 – 06.30.2029	0.071/0.0142	700,585	–	–	–	700,585	–	–	–	700,585	7.5 years
						7,005,890	–	–	(1,751,475)	5,254,415	–	–	–	5,254,415	
Employees:															
Management	06.30.2019	50%	06.30.2019 – 12.12.2019	12.12.2019 – 06.30.2029	0.071/0.0142	1,482,015	–	–	(1,482,015)	–	–	–	–	–	7.5 years
		50%	06.30.2019 – 10.31.2021	10.31.2021 – 06.30.2029	0.071/0.0142	1,482,005	–	–	–	1,482,005	(80,830)	–	–	1,401,175	7.5 years
						2,964,020	–	–	(1,482,015)	1,482,005	(80,830)	–	–	1,401,175	

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(i) (Continued)

	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Number of share options Outstanding at 01.01.2020	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2020 and 01.01.2021	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2021	Remaining contractual life at 12.31.2021
Milestone-based (note) (Continued)															
Employees:															
Management	06.30.2019	20%	06.30.2019 – 12.12.2019	12.12.2019 – 06.30.2029	0.071/0.0142	504,425	–	–	(504,425)	–	–	–	–	–	7.5 years
		50%	06.30.2019 – 10.01.2021	10.01.2021 – 06.30.2029	0.071/0.0142	1,261,060	(1,261,060)	–	–	–	–	–	–	–	7.5 years
		15%	06.30.2019 – 12.31.2022	12.31.2022 – 06.30.2029	0.071/0.0142	378,320	(378,320)	–	–	–	–	–	–	–	7.5 years
		15%	06.30.2019 – 06.30.2023	06.30.2023 – 06.30.2029	0.071/0.0142	378,315	(378,315)	–	–	–	–	–	–	–	7.5 years
						2,522,120	(2,017,695)	–	(504,425)	–	–	–	–	–	
Employees:															
Management	06.30.2019	40%	06.30.2019 – 12.12.2019	12.12.2019 – 06.30.2029	0.071/0.0142	600,000	–	–	–	600,000	–	–	–	600,000	7.5 years
		15%	06.30.2019 – 09.30.2021	09.30.2021 – 06.30.2029	0.071/0.0142	225,000	–	–	–	225,000	–	–	–	225,000	7.5 years
		15%	06.30.2019 – 12.12.2021	12.12.2021 – 06.30.2029	0.071/0.0142	225,000	–	–	–	225,000	–	–	–	225,000	7.5 years
		15%	06.30.2019 – 12.31.2022	12.31.2022 – 06.30.2029	0.071/0.0142	225,000	–	–	–	225,000	–	–	–	225,000	7.5 years
		15%	06.30.2019 – 12.12.2023	10.31.2023 – 06.30.2029	0.071/0.0142	225,000	–	–	–	225,000	–	–	–	225,000	7.5 years
						1,500,000	–	–	–	1,500,000	–	–	–	1,500,000	

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(i) (Continued)

	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Number of share options Outstanding at 01.01.2020	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2020 and 01.01.2021	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2021	Remaining contractual life at 12.31.2021
Milestone-based (note) (Continued)															
Employees:															
Management	06.30.2019	5%	06.30.2019 – 12.12.2019	12.12.2019 – 06.30.2029	0.071/0.0142	7,395	–	–	(7,395)	–	–	–	–	–	7.5 years
		40%	06.30.2019 – 12.31.2022	12.31.2022 – 06.30.2029	0.071/0.0142	59,175	–	–	–	59,175	–	–	–	59,175	7.5 years
		35%	06.30.2019 – 06.30.2023	06.30.2023 – 06.30.2029	0.071/0.0142	51,780	–	–	–	51,780	–	–	–	51,780	7.5 years
		20%	06.30.2019 – 06.30.2025	06.30.2025 – 06.30.2029	0.071/0.0142	29,590	–	–	–	29,590	–	–	–	29,590	7.5 years
						147,940	–	–	(7,395)	140,545	–	–	–	140,545	
Employees:															
Management	06.30.2019	15%	06.30.2019 – 12.12.2019	12.12.2019 – 06.30.2029	0.071/0.0142	54,740	–	–	(54,740)	–	–	–	–	–	7.5 years
		15%	06.30.2019 – 09.30.2021	09.30.2021 – 06.30.2029	0.071/0.0142	54,740	–	(42,960)	–	11,780	–	–	–	11,780	7.5 years
		35%	06.30.2019 – 12.31.2022	12.31.2022 – 06.30.2029	0.071/0.0142	127,725	–	(100,245)	–	27,480	–	–	–	27,480	7.5 years
		25%	06.30.2019 – 06.30.2023	06.30.2023 – 06.30.2029	0.071/0.0142	91,230	–	(71,605)	–	19,625	–	–	–	19,625	7.5 years
		10%	06.30.2019 – 06.30.2025	06.30.2025 – 06.30.2029	0.071/0.0142	36,495	–	(28,640)	–	7,855	–	–	–	7,855	7.5 years
						364,930	–	(243,450)	(54,740)	66,740	–	–	–	66,740	

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(i) (Continued)

						Number of share options									
	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Outstanding at 01.01.2020	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2020 and 01.01.2021	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2021	Remaining contractual life at 12.31.2021
Milestone-based (note) (Continued)															
Employees:															
Others	06.30.2019	15%	06.30.2019 – 12.12.2019	12.12.2019 – 06.30.2029	0.071/0.0142	50,625	–	–	(50,625)	–	–	–	–	–	7.5 years
		15%	06.30.2019 – 09.30.2021	09.30.2021 – 06.30.2029	0.071/0.0142	50,625	(13,125)	–	–	37,500	–	–	–	37,500	7.5 years
		35%	06.30.2019 – 12.31.2022	12.31.2022 – 06.30.2029	0.071/0.0142	118,125	(30,625)	–	–	87,500	(6,000)	–	–	81,500	7.5 years
		25%	06.30.2019 – 06.30.2023	06.30.2023 – 06.30.2029	0.071/0.0142	84,375	(21,875)	–	–	62,500	(62,500)	–	–	–	7.5 years
		10%	06.30.2019 – 06.30.2025	06.30.2025 – 06.30.2029	0.071/0.0142	33,750	(8,750)	–	–	25,000	(25,000)	–	–	–	7.5 years
						337,500	(74,375)	–	(50,625)	212,500	(93,500)	–	–	119,000	

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(i) (Continued)

	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Number of share options Outstanding at 01.01.2020	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2020 and 01.01.2021	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2021	Remaining contractual life at 12.31.2021
Milestone-based (note) (Continued)															
Employees:															
Others	06.30.2019	25%	06.30.2019 – 12.12.2019	12.12.2019 – 06.30.2029	0.071/0.0142	180,000	–	–	(172,500)	7,500	–	–	(7,500)	–	7.5 years
		25%	06.30.2019 – 09.30.2021	09.30.2021 – 06.30.2029	0.071/0.0142	180,000	–	–	–	180,000	–	–	–	180,000	7.5 years
		25%	06.30.2019 – 12.31.2022	12.31.2022 – 06.30.2029	0.071/0.0142	180,000	–	–	–	180,000	(15,000)	–	–	165,000	7.5 years
		15%	06.30.2019 – 06.30.2023	06.30.2023 – 06.30.2029	0.071/0.0142	108,000	–	–	–	108,000	(108,000)	–	–	–	7.5 years
		10%	06.30.2019 – 06.30.2025	06.30.2025 – 06.30.2029	0.071/0.0142	72,000	–	–	–	72,000	(72,000)	–	–	–	7.5 years
						720,000	–	–	(172,500)	547,500	(195,000)	–	(7,500)	345,000	

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(i) (Continued)

	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Number of share options Outstanding at 01.01.2020	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2020 and 01.01.2021	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2021	Remaining contractual life at 12.31.2021
Milestone-based (note) (Continued)															
Executive director:															
Dr. Xu	11.08.2019	100%	11.08.2019 - 12.12.2019	12.12.2019 – 11.08.2029	0.071/0.0142	3,050,000	–	–	(1,050,000)	2,000,000	–	–	–	2,000,000	7.9 years
Milestone-based sub-total						24,482,400	(3,465,820)	(243,450)	(5,863,925)	14,909,205	(1,633,080)	–	(340,500)	12,935,625	
Total						44,825,385	(8,613,350)	(529,860)	(9,738,865)	25,943,310	(2,579,745)	–	(824,500)	22,539,065	
Exercisable at the end of the year						14,811,950				8,976,520				14,891,685	
Weighted average exercise price per share (US$)						0.0142	0.0142	0.0142	0.0142	0.0142	0.0142	0.0142	0.0142	0.0142	

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(i) (Continued)

Note: In respect of the share options exercised during the year, the weighted average share price at the dates of exercise was US$2.796, equivalent to HK$21.735 (2020: USD$2.644, equivalent to HK$20.707).

Milestone-based pre-IPO share options are granted conditionally upon the achievement of a specified performance target including but not limited to, completion of the Listing, marketing authorization of various drug candidates or achievement of sales targets by a specific time and the expected vesting periods are estimated by the directors of the Company based on the most likely outcome of the performance conditions.

On March 29, 2019, the board of directors of the Company passed a resolution to change certain performance targets and the estimated dates of the most likely outcome of performance conditions in relation to certain milestone-based share options granted under the Pre-IPO Share Option Scheme I which were not beneficial to the employees. Thus, the amount to be recognized for services received from the employee continues to be measured based on the original vesting conditions.

Fair values of the Pre-IPO Share Option Scheme I

These fair values were calculated using the binomial model. The inputs into the model were as follows:

	Date of grant		
	10.10.2018	06.30.2019	11.08.2019
Ordinary share price as at date of grant	US$2.195	US$2.437	US$5.379
Exercise price	US$0.071	US$0.071	US$0.071
Expected volatility	38.8%	32.2%	32.1%
Expected life	10 years	10 years	10 years
Risk-free rate	3.17%	2.05%	1.95%
Expected dividend yield	0%	0%	0%
Total grant date fair value	US$9,719,000	US$14,572,000	US$4,109,000

The expected volatility measured at the standard deviation was based on the historical data of the daily share price movement of comparable companies. The fair value of an option varies with different variables of certain subjective assumptions.

The Group recognized total expense of approximately RMB3,895,000 for the year ended December 31, 2021 (2020: RMB22,037,000) in relation to the share options granted by the Company under the Pre-IPO Share Option Scheme I.

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(ii) Pursuant to a written resolution of the shareholders of the Company dated March 29, 2019, another pre-IPO share option scheme (the "Pre-IPO Share Option Scheme II") of the Company was approved and adopted on 9 April 2019. The Pre-IPO Share Option Scheme II was established to recognize and motivate the contribution of the eligible persons and to provide incentives and help the Group in retaining its Employees, and to recruit additional employees and to provide them with a direct economic interest in attaining the long-term business objectives of the Group. Under the Pre-IPO Share Option Scheme II, the board of directors of the Company may grant options to the eligible persons to subscribe for shares in the Company.

The granted options had a contractual option term of ten years. Options granted must be taken up within ten years from the date of grant, upon payment of either US$1.225 or US$2.449 per option (equivalent to HK$9.555 or HK$19.102 per option). No consideration was payable on the grant of an option. The Group had no legal or constructive obligations to repurchase or settle the options in cash. The options might not be exercised until they vest. Once vested, the vested portion of the options might be exercised in whole or in part, at any time.

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(ii) (Continued)

The following table discloses movements of the Company's share options held by the directors and employees of the Group under the Pre-IPO Share Option Scheme II during the year:

						Number of share options									
	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Outstanding at 01.01.2020	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2020	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2021	Remaining contractual life at 12.31.2021
Time-based															
Executive director:															
Dr. Xu	06.30.2019	25%	06.30.2019 – 06.30.2020	06.30.2020 – 06.30.2029	2.449/0.4898	529,335	–	–	–	529,335	–	–	–	529,335	7.5 years
		25%	06.30.2019 – 06.30.2021	06.30.2021 – 06.30.2029	2.449/0.4898	529,335	–	–	–	529,335	–	–	–	529,335	7.5 years
		25%	06.30.2019 – 06.30.2022	06.30.2022 – 06.30.2029	2.449/0.4898	529,335	–	–	–	529,335	–	–	–	529,335	7.5 years
		25%	06.30.2019 – 06.30.2023	06.30.2023 – 06.30.2029	2.449/0.4898	529,330	–	–	–	529,330	–	–	–	529,330	7.5 years
						2,117,335	–	–	–	2,117,335	–	–	–	2,117,335	
Employees:															
Management	06.30.2019	25%	06.30.2019 – 06.30.2020	06.30.2020 – 06.30.2029	2.449/0.4898	423,470	–	–	(423,470)	–	–	–	–	–	7.5 years
		25%	06.30.2019 – 06.30.2021	06.30.2021 – 06.30.2029	2.449/0.4898	423,470	(423,470)	–	–	–	–	–	–	–	7.5 years
		25%	06.30.2019 – 06.30.2022	06.30.2022 – 06.30.2029	2.449/0.4898	423,465	(423,465)	–	–	–	–	–	–	–	7.5 years
		25%	06.30.2019 – 06.30.2023	06.30.2023 – 06.30.2029	2.449/0.4898	423,465	(423,465)	–	–	–	–	–	–	–	7.5 years
						1,693,870	(1,270,400)	–	(423,470)	–	–	–	–	–	

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(ii) (Continued)

						Number of share options									
	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Outstanding at 01.01.2020	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2020	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2021	Remaining contractual life at 12.31.2021
Time-based (Continued)															
Employees:															
Management	06.30.2019	25%	06.30.2019 – 06.30.2020	06.30.2020 – 06.30.2029	2.449/0.4898	105,865	–	–	(105,865)	–	–	–	–	–	7.5 years
		32%	06.30.2019 – 06.30.2021	06.30.2021 – 06.30.2029	2.449/0.4898	135,510	(135,510)	–	–	–	–	–	–	–	7.5 years
		32%	06.30.2019 – 06.30.2022	06.30.2022 – 06.30.2029	2.449/0.4898	135,510	(135,510)	–	–	–	–	–	–	–	7.5 years
		11%	06.30.2019 – 06.30.2023	06.30.2023 – 06.30.2029	2.449/0.4898	46,580	(46,580)	–	–	–	–	–	–	–	7.5 years
						423,465	(317,600)	–	(105,865)	–	–	–	–	–	
Employees:															
Management	06.30.2019	25%	06.30.2019 – 06.30.2020	06.30.2020 – 06.30.2029	2.449/0.4898	277,385	(221,905)	–	(55,480)	–	–	–	–	–	7.5 years
		25%	06.30.2019 – 06.30.2021	06.30.2021 – 06.30.2029	2.449/0.4898	277,385	(221,910)	–	–	55,475	–	–	–	55,475	7.5 years
		25%	06.30.2019 – 06.30.2022	06.30.2022 – 06.30.2029	2.449/0.4898	277,385	(221,910)	–	–	55,475	–	–	–	55,475	7.5 years
		25%	06.30.2019 – 06.30.2023	06.30.2023 – 06.30.2029	2.449/0.4898	277,390	(221,910)	–	–	55,480	–	–	–	55,480	7.5 years
						1,109,545	(887,635)	–	(55,480)	166,430	–	–	–	166,430	

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(ii) (Continued)

						Number of share options									
	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Outstanding at 01.01.2020	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2020	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2021	Remaining contractual life at 12.31.2021
Time-based (Continued)															
Employees:															
Management	11.08.2019	25%	11.08.2019 – 11.08.2020	11.08.2020 – 11.08.2029	1.225 – 2.449/ 0.2245 – 0.4898	244,965	–	(135,860)	(46,605)	62,500	–	–	(62,500)	–	7.9 years
		25%	11.08.2019 – 11.08.2021	11.08.2021 – 11.08.2029	1.225 – 2.449/ 0.2245 – 0.4898	244,965	–	(135,860)	–	109,105	(109,105)	–	–	–	7.9 years
		25%	11.08.2019 – 11.08.2022	11.08.2022 – 11.08.2029	1.225 – 2.449/ 0.2245 – 0.4898	244,965	–	(135,860)	–	109,105	(109,105)	–	–	–	7.9 years
		25%	11.08.2019 – 11.08.2023	11.08.2023 – 11.08.2029	1.225 – 2.449/ 0.2245 – 0.4898	244,965	–	135,865	–	109,100	109,100	–	–	–	7.9 years
						979,860	–	(543,445)	(46,605)	389,810	327,310	–	(62,500)	–	

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(ii) (Continued)

						Number of share options									
	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Outstanding at 01.01.2020	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2020	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2021	Remaining contractual life at 12.31.2021
Time-based (Continued)															
Employees:															
Management	11.13.2019	25%	11.13.2019 – 11.08.2020	11.08.2020 – 11.08.2029	1.225/0.2245	67,500	–	–	–	67,500	–	–	(7,500)	60,000	7.9 years
		25%	11.13.2019 – 11.08.2021	11.08.2021 – 11.08.2029	1.225/0.2245	67,500	–	–	–	67,500	–	–	–	67,500	7.9 years
		25%	11.13.2019 – 11.08.2022	11.08.2022 – 11.08.2029	1.225/0.2245	67,500	–	–	–	67,500	–	–	–	67,500	7.9 years
		25%	11.13.2019 – 11.08.2023	11.08.2023 – 11.08.2029	1.225/0.2245	67,500	–	–	–	67,500	–	–	–	67,500	7.9 years
						270,000	–	–	–	270,000	–	–	(7,500)	262,500	
Employees:															
Others	11.08.2019	25%	11.08.2019 – 11.08.2020	11.08.2020 – 11.08.2029	2.449/0.4898	28,750	–	–	–	28,750	–	–	(28,750)	–	7.9 years
		25%	11.08.2019 – 11.08.2021	11.08.2021 – 11.08.2029	2.449/0.4898	28,750	–	–	–	28,750	–	–	–	28,750	7.9 years
		25%	11.08.2019 – 11.08.2022	11.08.2022 – 11.08.2029	2.449/0.4898	28,750	–	–	–	28,750	–	–	–	28,750	7.9 years
		25%	11.08.2019 – 11.08.2023	11.08.2023 – 11.08.2029	2.449/0.4898	28,750	–	–	–	28,750	–	–	–	28,750	7.9 years
						115,000	–	–	–	115,000	–	–	(28,750)	86,250	
Time-based sub-total						6,709,075	(2,475,635)	(543,445)	(631,420)	3,058,575	(327,310)	–	(98,750)	2,632,515	

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(ii) (Continued)

	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Number of share options									
						Outstanding at 01.01.2020	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2020	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2021	Remaining contractual life at 12.31.2021
Milestone-based (note)															
Executive director															
Dr. Xu.	06.30.2019	25%	06.30.2019 – 12.12.2019	12.12.2019 – 06.30.2029	2.449/0.4898	529,335	–	–	–	529,335	–	–	–	529,335	7.5 years
		25%	06.30.2019 – 09.30.2021	09.30.2021 – 06.30.2029	2.449/0.4898	529,335	–	–	–	529,335	–	–	–	529,335	7.5 years
		25%	06.30.2019 – 12.31.2022	12.31.2022 – 06.30.2029	2.449/0.4898	529,335	–	–	–	529,335	–	–	–	529,335	7.5 years
		15%	06.30.2019 – 06.30.2023	06.30.2023 – 06.30.2029	2.449/0.4898	476,395	–	–	–	476,395	–	–	–	476,395	7.5 years
		10%	06.30.2019 – 06.30.2025	06.30.2025 – 06.30.2029	2.449/0.4898	52,935	–	–	–	52,935	–	–	–	52,935	7.5 years
						2,117,335	–	–	–	2,117,335	–	–	–	2,117,335	

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(ii) (Continued)

						Number of share options									
	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Outstanding at 01.01.2020	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2020	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2021	Remaining contractual life at 12.31.2021
Milestone-based (note) (Continued)															
Employees:															
Management	06.30.2019	50%	06.30.2019 – 12.12.2019	12.12.2019 – 06.30.2029	2.449/0.4898	423,470	–	–	(423,470)	–	–	–	–	–	7.5 years
		50%	06.30.2019 – 09.30.2021	09.30.2021 – 06.30.2029	2.449/0.4898	423,465	–	–	–	423,465	–	–	–	423,465	7.5 years
						846,935	–	–	(423,470)	423,465	–	–	–	423,465	
Employees:															
Management	06.30.2019	20%	06.30.2019 – 12.12.2019	12.12.2019 – 06.30.2029	2.449/0.4898	152,450	–	–	(152,450)	–	–	–	–	–	7.5 years
		50%	06.30.2019 – 10.01.2021	10.01.2021 – 06.30.2029	2.449/0.4898	381,120	(381,120)	–	–	–	–	–	–	–	7.5 years
		15%	06.30.2019 – 12.31.2022	12.31.2022 – 06.30.2029	2.449/0.4898	114,335	(114,335)	–	–	–	–	–	–	–	7.5 years
		15%	06.30.2019 – 06.30.2023	06.30.2023 – 06.30.2029	2.449/0.4898	114,335	(114,335)	–	–	–	–	–	–	–	7.5 years
						762,240	(609,790)	–	(152,450)	–	–	–	–	–	

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(ii) (Continued)

	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Number of share options									
						Outstanding at 01.01.2020	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2020	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2021	Remaining contractual life at 12.31.2021
Milestone-based (note) (Continued)															
Employees:															
Management	06.30.2019	5%	06.30.2019 – 12.12.2019	12.12.2019 – 06.30.2029	1.225/0.2450	55,475	(44,380)	–	(11,095)	–	–	–	–	–	7.5 years
		40%	06.30.2019 – 12.31.2022	12.31.2022 – 06.30.2029	1.225/0.2450	443,815	(355,055)	–	–	88,760	–	–	–	88,760	7.5 years
		35%	06.30.2019 – 06.30.2023	06.30.2023 – 06.30.2029	1.225/0.2450	388,340	(310,675)	–	–	77,665	–	–	–	77,665	7.5 years
		20%	06.30.2019 – 06.30.2025	06.30.2025 – 06.30.2029	1.225/0.2450	221,910	(177,525)	–	–	44,385	–	–	–	44,385	7.5 years
						1,109,540	(887,635)	–	(11,095)	210,810	–	–	–	210,810	
Employees:															
Others	06.30.2019	10%	06.30.2019 – 12.12.2019	12.12.2019 – 06.30.2029	1.225/0.2450	25,000	–	–	(16,000)	9,000	–	–	(9,000)	–	7.5 years
		15%	06.30.2019 – 09.30.2021	09.30.2021 – 06.30.2029	1.225/0.2450	37,500	–	–	–	37,500	(20,250)	–	–	17,250	7.5 years
		35%	06.30.2019 – 12.31.2022	12.31.2022 – 06.30.2029	1.225/0.2450	87,500	–	–	–	87,500	(47,250)	–	–	40,250	7.5 years
		30%	06.30.2019 – 06.30.2023	06.30.2023 – 06.30.2029	1.225/0.2450	75,000	–	–	–	75,000	(40,500)	–	–	34,500	7.5 years
		10%	06.30.2019 – 06.30.2025	06.30.2025 – 06.30.2029	1.225/0.2450	25,000	–	–	–	25,000	(13,500)	–	–	11,500	7.5 years
						250,000	–	–	(16,000)	234,000	(121,500)	–	(9,000)	103,500	

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(ii) (Continued)

						Number of share options									
	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Outstanding at 01.01.2020	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2020	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2021	Remaining contractual life at 12.31.2021
Milestone-based (note) (Continued)															
Employees:															
Management	11.08.2019	5%	11.08.2019 – 12.12.2019	12.12.2019 – 11.08.2029	1.225/0.2450	36,495	–	–	(36,495)	–	–	–	–	–	7.9 years
		20%	11.08.2019 – 09.30.2021	09.30.2021 – 11.08.2029	1.225/0.2450	145,970	–	(108,690)	–	37,280	(37,280)	–	–	–	7.9 years
		25%	11.08.2019 – 12.31.2021	12.31.2021 – 11.08.2029	1.225/0.2450	182,465	–	(135,860)	–	46,605	(46,605)	–	–	–	7.9 years
		25%	11.08.2019 – 12.31.2022	12.31.2022 – 11.08.2029	1.225/0.2450	182,465	–	(135,860)	–	46,605	(46,605)	–	–	–	7.9 years
		15%	11.08.2019 – 06.30.2023	06.30.2023 – 11.08.2029	1.225/0.2450	109,480	–	(81,520)	–	27,960	(27,960)	–	–	–	7.9 years
		10%	11.08.2019 – 06.30.2025	06.30.2025 – 11.08.2029	1.225/0.2450	72,980	–	(54,340)	–	18,640	(18,640)	–	–	–	7.9 years
						729,855	–	(516,270)	(36,495)	177,090	(177,090)	–	–	–	

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(ii) (Continued)

	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Number of share options									
						Outstanding at 01.01.2020	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2020	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2021	Remaining contractual life at 12.31.2021
Milestone-based (note) (Continued)															
Employees:															
Others	11.08.2019	10%	11.08.2019 – 12.12.2019	12.12.2019 – 11.08.2029	1.225/0.2450	5,000	–	–	(5,000)	–	–	–	–	–	7.9 years
		15%	11.08.2019 – 09.30.2021	09.30.2021 – 11.08.2029	1.225/0.2450	7,500	–	–	–	7,500	(7,500)	–	–	–	7.9 years
		35%	11.08.2019 – 12.31.2022	12.31.2022 – 11.08.2029	1.225/0.2450	17,500	–	–	–	17,500	(17,500)	–	–	–	7.9 years
		30%	11.08.2019 – 06.30.2023	06.30.2023 – 11.08.2029	1.225/0.2450	15,000	–	–	–	15,000	(15,000)	–	–	–	7.9 years
		10%	11.08.2019 – 06.30.2025	06.30.2025 – 11.08.2029	1.225/0.2450	5,000	–	–	–	5,000	(5,000)	–	–	–	7.9 years
						50,000	–	–	(5,000)	45,000	(45,000)	–	–	–	
Employees:															
Others	11.08.2019	5%	11.08.2019 – 12.12.2019	12.12.2019 – 11.08.2029	2.449/0.4898	3,000	–	–	(3,000)	–	–	–	–	–	7.9 years
		15%	11.08.2019 – 09.30.2021	09.30.2021 – 11.08.2029	2.449/0.4898	9,000	–	–	–	9,000	(9,000)	–	–	–	7.9 years
		35%	11.08.2019 – 12.31.2022	12.31.2022 – 11.08.2029	2.449/0.4898	21,000	–	–	–	21,000	(21,000)	–	–	–	7.9 years
		35%	11.08.2019 – 06.30.2023	06.30.2023 – 11.08.2029	2.449/0.4898	21,000	–	–	–	21,000	(21,000)	–	–	–	7.9 years
		10%	11.08.2019 – 06.30.2025	06.30.2025 – 11.08.2029	2.449/0.4898	6,000	–	–	–	6,000	(6,000)	–	–	–	7.9 years
						60,000	–	–	(3,000)	57,000	(57,000)	–	–	–	

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(ii) (Continued)

Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Number of share options									
					Outstanding at 01.01.2020	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2020	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2021	Remaining contractual life at 12.31.2021
Milestone-based (note) (Continued)														
Milestone-based sub-total					5,925,905	(1,497,425)	(516,270)	(647,510)	3,264,700	(400,590)	–	(9,000)	2,855,110	
Total					12,634,980	(3,973,060)	(1,059,715)	(1,278,930)	6,323,275	(727,900)	–	(107,750)	5,487,625	
Exercisable at the end of the year					1,227,720				1,226,420				2,769,780	
Weighted average exercise price per share (US$)					0.4260	0.4351	0.3705	0.4767	0.4527	0.3272	N/A	0.3870	0.4602	

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(ii) (Continued)

Note: In respect of the share options exercised during the year, the weighted average share price at the dates of exercise was US$2.811, equivalent to HK$21.850 (2020: USD$2.487, equivalent to HK$19.477).

Milestone-based pre-IPO share options are granted conditionally upon the achievement of a specified performance target including but not limited to, completion of the Listing, marketing authorization of various drug candidates, achievement of sales targets, or increase in the Company's market capitalization after the Listing by a specific time and the expected vesting periods are estimated by the directors of the Company based on the most likely outcome of the performance conditions.

Fair value of the Pre-IPO Share Option Scheme II

These fair values were calculated using the binomial model. The inputs into the model were as follows:

	Date of grant	
	06.30.2019	11.08.2019 & 11.13.2019
Ordinary share price as at date of grant	US$2.437	US$5.379
Exercise price	US$1.225 or US$2.449	US$1.225 or US$2.449
Expected volatility	32.2%	32.1%
Expected life	10 years	10 years
Risk-free rate	2.05%	1.95%
Expected dividend yield	0%	0%
Total grant date fair value	US$2,212,000	US$1,816,000

The expected volatility measured at the standard deviation was based on the historical data of the daily share price movement of comparable companies. The fair value of an option varied with different variables of certain subjective assumptions.

The Group recognized total expense of approximately RMB452,000 for the year ended December 31, 2021 (2020: RMB10,595,000) in relation to the share options granted by the Company under the Pre-IPO Share Option Scheme II.

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(b) Equity-settled post-IPO share option scheme of the Company:

(i) Pursuant to a shareholders' resolution of the Company dated May 25, 2020, a post-IPO share option scheme (the "Post-IPO Share Option Scheme I") of the Company was approved and adopted. The Post-IPO Share Option Scheme I was established to provide incentive or reward to eligible persons for their contribution to, and continuing efforts to promote the interests of, the Group, and to incentivize them to remain with the Group, as well as for such other purposes as the board of directors of the Company may approve from time to time. Under the Post-IPO Share Option Scheme I, the board of directors of the Company may grant options to the eligible persons to subscribe for shares in the Company.

The granted options have a contractual option term of ten years. Options granted must be taken up within ten years from the date of grant, upon payment of HK$13.00 or HK$18.06 per option. No consideration is payable on the grant of an option. The Group has no legal or constructive obligations to repurchase or settle the options in cash. The options may not be exercised until they vest. Once vested, the vested portion of the options may be exercised in whole or in part, at any time.

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(b) Equity-settled post-IPO share option scheme of the Company: (Continued)

(i) (Continued)

The following table discloses movements of the Company's share options held by the directors and employees of the Group under the post-IPO Share Option Scheme I during the year:

					Exercise price per share After Share Subdivision HK$	Number of share options										
	Date of grant	Vesting proportion	Vesting period	Exercisable period		Outstanding at 01.01.2020	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2020	Granted during the year	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2021	Remaining contractual life at 12.31.2021
Time-based																
Employees:																
Management	04.23.2021	20%	04.23.2021 – 04.23.2022	04.23.2022 – 04.23.2031	13.00	–	–	–	–	–	395,000	(45,000)	–	–	350,000	9.4 years
		20%	04.23.2021 – 04.23.2023	04.23.2023 – 04.23.2031	13.00	–	–	–	–	–	395,000	(45,000)	–	–	350,000	9.4 years
		20%	04.23.2021 – 04.23.2024	04.23.2024 – 04.23.2031	13.00	–	–	–	–	–	395,000	(45,000)	–	–	350,000	9.4 years
		40%	04.23.2021 – 04.23.2025	04.23.2025 – 04.23.2031	13.00	–	–	–	–	–	790,000	(90,000)	–	–	700,000	9.4 years
						–	–	–	–	–	1,975,000	(225,000)	–	–	1,750,000	

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(b) Equity-settled post-IPO share option scheme of the Company: (Continued)

(i) (Continued)

						Number of share options										
	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share After Share Subdivision HK$	Outstanding at 01.01.2020	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2020	Granted during the year	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2021	Remaining contractual life at 12.31.2021
Time-based (Continued)																
Employees:																
Management	04.23.2021	15%	04.23.2021 – 04.23.2022	04.23.2022 – 04.23.2031	13.00	–	–	–	–	–	1,050,000	(1,050,000)	–	–	–	9.4 years
		15%	04.23.2021 – 04.23.2023	04.23.2023 – 04.23.2031	13.00	–	–	–	–	–	1,050,000	(1,050,000)	–	–	–	9.4 years
		15%	04.23.2021 – 04.23.2024	04.23.2024 – 04.23.2031	13.00	–	–	–	–	–	1,050,000	(1,050,000)	–	–	–	9.4 years
		15%	04.23.2021 – 04.23.2025	04.23.2025 – 04.23.2031	13.00	–	–	–	–	–	1,050,000	(1,050,000)	–	–	–	9.4 years
		20%	04.23.2021 – 04.23.2026	04.23.2026 – 04.23.2031	13.00	–	–	–	–	–	1,400,000	(1,400,000)	–	–	–	9.4 years
		20%	04.23.2021 – 04.23.2027	04.23.2027 – 04.23.2031	13.00	–	–	–	–	–	1,400,000	(1,400,000)	–	–	–	9.4 years
						–	–	–	–	–	7,000,000	(7,000,000)	–	–	–	

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(b) Equity-settled post-IPO share option scheme of the Company: (Continued)

(i) (Continued)

	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share After Share Subdivision HK$	Number of share options										
						Outstanding at 01.01.2020	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2020	Granted during the year	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2021	Remaining contractual life at 12.31.2021
Time-based (Continued)																
Employees:																
Management	10.25.2021	20%	10.25.2021 – 10.25.2022	10.25.2022 – 10.25.2031	18.06	–	–	–	–	–	120,000	–	–	–	120,000	9.9 years
		20%	10.25.2021 – 10.25.2023	10.25.2023 – 10.25.2031	18.06	–	–	–	–	–	120,000	–	–	–	120,000	9.9 years
		20%	10.25.2021 – 10.25.2024	10.25.2024 – 10.25.2031	18.06	–	–	–	–	–	120,000	–	–	–	120,000	9.9 years
		40%	10.25.2021 – 10.25.2025	10.25.2025 – 10.25.2031	18.06	–	–	–	–	–	240,000	–	–	–	240,000	9.9 years
						–	–	–	–	–	600,000	–	–	–	600,000	
Total						–	–	–	–	–	9,575,000	(7,225,000)	–	–	2,350,000	
Exercisable at the end of the year						–	–	–	–	–	–	–	–	–	–	
Weighted average exercise price per share (HK$)						N/A	N/A	N/A	N/A	N/A	13.32	13.00	N/A	N/A	14.29	

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(b) Equity-settled post-IPO share option scheme of the Company: (Continued)

(i) (Continued)

Fair value of the Post-IPO Share Option Scheme I

These fair values were calculated using the binomial model. The inputs into the model were as follows:

	Date of grant	
	04.23.2021	10.25.2021
Ordinary share price as at date of grant	HK$24.45	HK$18.06
Exercise price	HK$13.00	HK$18.06
Expected volatility	34.0%	33.2%
Expected life	10 years	10 years
Risk-free rate	1.23%	1.50%
Expected dividend yield	0%	0%
Total grant date fair value	HK$47,609,966	HK$3,569,944

The expected volatility measured at the standard deviation was based on the historical data of the daily share price movement of comparable companies. The fair value of an option varied with different variables of certain subjective assumptions.

The Group recognized a total expense of approximately RMB2,290,000 for the year ended December 31, 2021 in relation to the share options granted by the Company under the Post-IPO Share Option Scheme I.

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(c) Share option scheme with cash-settled alternatives of Suzhou Alphamab

Since May 2014, Suzhou Alphamab had issued 5 batches of share options under the share incentive plan adopted by Suzhou Alphamab ("SZ ESOP Plan") as an incentive to employees and management of Suzhou Alphamab. Under the SZ ESOP Plan, the grantees could choose to settle in cash based on a calculation methodology as stated in the plan or in equity when Suzhou Alphamab completed the listing of its shares. Such SZ ESOP Plan was accounted for as a compound financial instrument, which includes a debt component (i.e. the counterparty's right to demand payment in cash) and an equity component (i.e. the counterparty's right to demand settlement in equity instruments rather than in cash).

During the year ended December 31, 2021, the Group recognized share-based payment expenses of RMB74,000 (2020: RMB95,000) that are allocated to the Oncology Business under the SZ ESOP Plan.

(d) Restricted share award scheme of the Company:

On 23 March 2021, the board of directors approved a restricted share award scheme, with the purpose of motivating the employees to maximize the value of the Company for the benefits of both the employees and the Company, with a view to achieving the objectives of increasing the value of the Company and aligning the interests of the employees directly with the shareholders of the Company through ownership of shares.

On 25 November 2021, the Company granted a total of 1,113,400 shares at RMB1.00 consideration per share to 12 employees of the Group, subject to the accomplishment of certain non-market performance conditions respectively. These restricted shares were issued and allotted to Alphamab OEH LTD, a company incorporated in the British Virgin Islands and held by the trustee, TMF Trust (HK) Limited (the "Trustee"), under the terms of the trust in relation to the restricted share award scheme and will be indirectly held by the Trustee on trust for the benefit of the beneficiaries of the trust. Employees will be entitled to these shares by the Trustee once they meet certain vesting conditions agreed in the grant letters and the vesting period begins. The consideration of RMB1.00 per share will be paid when the restricted shares are accepted by the employees and vested.

The restricted shares shall initially be unvested. 20% of the restricted shares shall vest in 2022, 20% shall vest in 2023, 20% shall vest in 2024 while another 40% shall vest in 2025, subject to the performance condition to be fulfilled.

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(d) Restricted share award scheme of the Company: (Continued)

No eligible employee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to the award shares under this scheme. The award shares shall not vest under any of the following circumstance: (i) in the event of any failure of Employees to remain as participants; (ii) in the event of any failure of employees to pass the specified performance review; and (iii) other circumstances as specified by the Board in its sole and absolute discretion.

The following table summarised the Group's unvested restricted shares movement:

	Restricted share award scheme	
	Number of unvested restricted shares	Weighted average grant date fair value per share HK$
Unvested as at January 1, 2021	–	–
Granted	1,113,400	HK$19.98
Unvested as at December 31, 2021	1,113,400	–

The aforesaid arrangement has been accounted for as share-based payment transactions. Accordingly, the Group measured the fair value of the unvested restricted shares as of the grant dates and is recognizing the amount as compensation expense over the vesting period from April 23, 2022 to April 23, 2025 for each separately vesting portion of the unvested restricted shares. The total expense recognized in the consolidated statement of profit or loss and other comprehensive income for restricted shares granted to employees of the Group and directors of the Company are RMB1,457,000 (2020: nil) for the year ended December 31, 2021.

The fair value of the Company's restricted shares was determined using the closing price of each share as stated in the daily quotation sheet issued by the Stock Exchange on the grant date.

31. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes amount due to a related company, lease liabilities and bank borrowings as disclosed in Notes 23, 24 and 26, respectively, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital, accumulated losses and various reserves.

The directors of the Company regularly review the capital structure from time to time. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debts and redemption of existing debts.

32. FINANCIAL INSTRUMENTS

32a. Categories of financial instruments

	2021	2020
	RMB'000	RMB'000
Financial assets		
Financial assets at FVTPL	**54,010**	43,530
Amortized cost	**1,951,867**	2,063,669
Derivative financial instruments	**5,630**	5,863
Financial liabilities		
Amortized cost	**659,497**	256,189

32. FINANCIAL INSTRUMENTS (Continued)

32a. Categories of financial instruments (Continued)

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit and counterparty risk and liquidity risk. The Group's financial risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance by actively managing debt level and cash flow in order to maintain a strong financial position and minimizing refinancing and liquidity risks by attaining healthy debt repayment capacity, appropriate maturity profile and availability of banking facilities. The Group adheres to a policy of financial prudence and did not use any derivative financial instruments during both years.

32b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, financial assets at FVTPL, derivative financial instruments, cash and cash equivalents, time deposits with original maturity over three months, trade and other payables, amount due to a related company, bank borrowings and lease liabilities.

Details of the financial instruments are disclosed in respective notes. The directors of the Company manage and monitor the below risks exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Certain bank deposits, other receivables and trade and other payables are denominated in currencies other than the functional currency of the relevant group entities, which expose the Group to foreign currency risk.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

32. FINANCIAL INSTRUMENTS (Continued)

32b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Currency risk (Continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the year are as follows:

	Assets		Liabilities	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
US$	**1,480,067**	1,745,161	**(2016)**	(727)
HKD	**109**	299	**–**	–
GBP	**–**	–	**(323)**	(287)
	1,480,176	1,745,460	**(2,339)**	(1,014)

Sensitivity analysis

The Group is exposed to the fluctuation of foreign exchange rate of US$ and HKD. The following table details the Group's sensitivity to a 10% increase and decrease in US$ and HKD against RMB. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the year for a 10% change in US$ and HKD. A positive number below indicates a decrease in loss for the year where US$/HKD strengthens 10% against RMB. For a 10% weakening of US$/HKD against RMB, there would be an equal and opposite impact on the loss for the year.

	HKD		US$	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
Impact on loss for the year	**11**	30	**147,805**	174,443

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the relevant year.

32. FINANCIAL INSTRUMENTS (Continued)

32b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Currency risk (Continued)

Forward foreign exchange contracts

In addition, the Group has elected not to adopt hedge accounting for foreign exchange forward contracts and foreign exchange option contracts as set out in Note 27 during the year ended December 31, 2021. As at December 31, 2021, the fair value change of those instruments are amounted to RMB233,000 (2020：RMB5,863,000).

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to time deposits with original maturity over three months/less than three months and lease liabilities as disclosed in Notes 21 and 24. The Group is also exposed to cash flow interest rate risk in relation to variable-rate cash and cash equivalents and variable-rate bank borrowings as disclosed in Notes 21 and 26, respectively. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and benchmark borrowing rate arising from its borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rate risk for bank balances/deposits and borrowings, the analysis is prepared assuming the amount of bank balances/deposits and borrowings outstanding at the end of the year were outstanding for the whole year. A 50 basis point increase or decrease representing management's assessment of the reasonably possible change in interest rate is used.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended December 31, 2021, would increase/decrease by RMB1,665,000 (2020: RMB824,000).

Other price risk

The Group is exposed to other price risk for its financial assets at FVTPL.

No sensitivity analysis is presented as the exposure is considered to be insignificant.

32. FINANCIAL INSTRUMENTS (Continued)

32b. Financial risk management objectives and policies (Continued)

Credit and counterparty risk

Credit and counterparty risk refers to the risk that a counterparty will default on its contractual obligations resulting financial losses to the Group.

In order to minimize the credit risk, the directors of the Company review the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's internal credit risk grading assessment comprises the following categories:

Category	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increase in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

32. FINANCIAL INSTRUMENTS (Continued)

32b. Financial risk management objectives and policies (Continued)

Credit and counterparty risk (Continued)

Trade receivables arising from contracts with customers

As at December 31, 2021, the Group has concentration of credit risk on trade receivables with gross carrying amounts of RMB7,606,000 (2020: Nil) as these balances were due from a single customer. In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Other monitoring procedures are in place to ensure that follow-up action is taken to recover the debts.

In addition, the Group performed impairment assessment under ECL model on these trade receivables on individually basis. Since the balances were from a counterparty which has low risk of default and usually settled within credit period, together with forward-looking information available at the end of the reporting period, the directors of the Company are in the opinion that the exposure to credit risk for these balances is assessed within lifetime ECL (not-credit impaired) and the expected credit loss for the trade receivables from this customer is insignificant.

Other receivables

For the purpose of impairment assessment for other receivables, the loss allowance is measured at an amount equal to 12m ECL. In determining the ECL for these financial assets, the directors of the Company have taken into account the financial positions of the counterparties in estimating the probability of default of each of the other receivables occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. For the purposes of internal credit risk management, the Group uses repayment history or other relevant information to assess whether credit risk has increased significantly. As at 31 December 2021, other receivables with gross carrying amounts of RMB12,787,000 (2020: RMB42,950,000) are not past due and the internal credit rating of these balances are considered as low risk. Therefore, no 12m ECL was made for other receivables.

32. FINANCIAL INSTRUMENTS (Continued)

32b. Financial risk management objectives and policies (Continued)

Credit and counterparty risk (Continued)

Cash and cash equivalents and time deposits with original maturity over three months

A significant portion of the Group's bank balances/deposits are placed with a few state-owned banks in the PRC and international banks in Hong Kong with gross carrying amounts of RMB1,931,474,000 (2020: RMB2,020,719,000) as at December 31, 2021. The credit risks on bank balances/deposits are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than the credit risks mentioned above, the Group does not have any other significant concentration of credit risk.

No 12m ECL has been provided during the years ended December 31, 2020 and 2021 as the estimated loss rates were considered to be insignificant.

Liquidity risk

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the year.

32. FINANCIAL INSTRUMENTS (Continued)

32b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity and interest risk table

	Weighted average interest rate %	On demand or less than 1 month RMB'000	1 to 3 months RMB'000	3 months to 1 year RMB'000	1 to 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
December 31, 2021							
Trade and other payables	N/A	38,634	–	–	–	38,634	38,634
Amount due to a related company	N/A	17,047	–	–	–	17,047	17,047
Bank borrowings – variable rate (Note)	3.84	1,932	3,864	652,610	255,444	913,850	603,816
		57,613	3,864	652,610	255,444	969,531	659,497
Lease liabilities	4.24	25	1,291	11,043	22,754	35,113	33,454
December 31, 2020							
Trade and other payables	N/A	43,074	–	–	–	43,074	43,074
Amount due to a related company	N/A	3,765	–	–	–	3,765	3,765
Bank borrowings – variable rate (Note)	3.85	672	1,343	199,790	24,475	226,280	209,350
		47,511	1,343	199,790	24,475	273,119	256,189
Lease liabilities	4.99	940	1,720	7,739	3,419	13,818	13,455

Note: The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the year.

32. FINANCIAL INSTRUMENTS (Continued)

32c. Fair values measurements of financial instruments

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

Some of the Group's financial assets are measured at fair value at the end of the year. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used).

	Fair value as at December 31,		Fair value hierarchy	Valuation technique(s) and key inputs
	2021	2020		
	RMB'000	RMB'000		
Financial assets				
Wealth management products	**54,010**	43,530	Level 2	Redemption value quoted by banks with reference to the expected return of the underlying assets
Forward foreign currency contracts	**5,876**	5,863	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Foreign currency option contracts	**(246)**	–	Level 2	Option pricing model with forward exchange rates and expected volatility as key inputs.

32. FINANCIAL INSTRUMENTS (Continued)

32c. Fair values measurements of financial instruments (Continued)

(ii) Fair value of financial assets that are not measured at fair value

The directors of the Company consider that the carrying amount of the Group's financial assets recorded at amortized cost in the consolidated financial statements approximate their fair values.

33. RESEARCH AND DEVELOPMENT EXPENSES

	2021	2020
	RMB'000	RMB'000
Outsourcing service fees	**236,986**	161,258
Staff costs	**95,671**	65,706
Raw material costs	**74,053**	61,429
Office rental costs, utilities, and depreciation and amortization	**47,160**	31,408
Others	**27,491**	11,440
	481,361	331,241

34. CAPITAL COMMITMENTS

	2021	2020
	RMB'000	RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**105,111**	21,813

35. RETIREMENT BENEFITS PLAN

The employees of the Group are mainly the members of the state-managed retirement benefits schemes operated by the PRC government. The Group is required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

The total cost charged to profit or loss of RMB18,642,000 (2020: RMB5,800,000) represents contributions paid or payable to the above schemes by the Group for the years ended December 31, 2021.

At December 31, 2021, there were no forfeited contributions which arose upon employees leaving the schemes prior to their interests in the Group's contribution becoming fully vested and which are available to reduce the contributions payable by the Group in future years (2020: Nil).

36. PLEDGE OF ASSETS

At the end of the reporting period, the carrying amounts of the assets pledged by the Group to banks in order to secure the bank borrowings and general banking facilities granted by banks to the Group are as follows:

	2021	2020
	RMB'000	RMB'000
Land use rights included in right-of-use assets	**21,680**	22,175
Buildings	**204,368**	225,872
Plant and machinery	**41,391**	38,129
CIP	**–**	7,966

37. RELATED PARTY DISCLOSURES

(i) Transactions

Other than as disclosed elsewhere in these consolidated financial statements, the Group has following transactions with related parties:

Related parties	Relationship	Nature of transactions	2021 RMB'000	2020 RMB'000
Suzhou Alphamab	Related company	Utilities expenses (Note)	2,078	2,175
		Interest expenses – lease liabilities	348	820
		Purchase of raw materials	–	751
		Technical service income	(746)	–
		Sample selling income	(51)	–
		Antibody development expense	–	859
		Process development expense	11,790	4,547
		Technical service expense	347	–
		Reimbursement expense	1,973	–

Note: The related party transaction constitutes continuing connected transaction for the Company within the meaning of the Listing Rules, the details of which are disclosed in the section headed "Connected Transactions" in this annual report.

(ii) Balances

Details of the balance with related company are set out in the consolidated statement of financial position and in Notes 23 and 24.

37. RELATED PARTY DISCLOSURES (Continued)

(iii) Compensation of key management personnel

Year ended December 31, 2021

The remuneration of the Group's key management personnel is determined with regard to the performance of the individuals and market trends. For year ended December 31, 2021, the total remuneration of key management personnel, including directors and key executives, amounted to RMB29,986,000. Out of these amounts, RMB19,604,000 represented their short-term benefits and RMB484,000 represented their post-employment benefits for the year ended December 31, 2021, and the remaining balance for the year ended December 31, 2021 represented the share-based payment expense of RMB9,898,000 recognized for the year ended December 31, 2021, as detailed in Note 30(a).

Year ended December 31, 2020

The remuneration of the Group's key management personnel is determined with regard to the performance of the individuals and market trends. For year ended December 31, 2020, the total remuneration of key management personnel, including directors and key executives, amounted to RMB41,266,000. Out of these amounts, RMB19,274,000 represented their short-term benefits and RMB226,000 represented their post-employment benefits for the year ended December 31, 2020, and the remaining balance for the year ended December 31, 2020 represented the share-based payment expense of RMB21,766,000 recognized for the year ended December 31, 2020, as detailed in Note 30(a).

38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank borrowings RMB'000	Convertible redeemable preferred shares RMB'000	Lease liabilities RMB'000	Accrued interest expense (Note 22) RMB'000	Accrued issue costs RMB'000	Total RMB'000
At January 1, 2020	230,000	–	23,176	351	13,541	267,068
Financing cash flows	(20,650)	–	(11,382)	(10,552)	(21,095)	(63,679)
Non-cash changes						
New leases entered	–	–	785	–	–	785
Issue costs accrued	–	–	–	–	7,554	7,554
Interest expenses recognized (Note 8)	–	–	876	10,439	–	11,315
At December 31, 2020	209,350	–	13,455	238	–	223,043
Financing cash flows	394,466	–	(16,731)	(14,352)	–	363,383
Non-cash changes						
New leases entered	–	–	39,051	–	–	39,051
Interest expenses recognized (Note 8)	–	–	585	14,805	–	15,390
Termination of a lease	–	–	(2,906)	–	–	(2,906)
At December 31, 2021	603,816	–	33,454	691	–	637,961

39. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

	2021 RMB'000	2020 RMB'000
Non-current assets		
Equipment	**18**	6
Right-of-use assets	**56**	284
Investments in subsidiaries	**1,605,010**	1,228,505
Amounts due from subsidiaries	**1,028,538**	81,259
	2,633,622	1,310,054
Current assets		
Other receivables, deposits and prepayments	**2,424**	40,640
Time deposits with original maturity over three months	**299,658**	1,646,803
Cash and cash equivalents	**57,953**	7,344
	360,035	1,694,787
Current liabilities		
Other payables	**2,863**	3,305
Lease liabilities – current portion	**60**	242
Net current assets	**357,112**	1,691,240
Total assets less current liabilities	**2,990,734**	3,001,294
Non-current liability		
Lease liabilities – non-current portion	**–**	60
Net assets	**2,990,734**	3,001,234
Capital and reserves		
Share capital	**13**	13
Reserves	**2,990,721**	3,001,221
Total equity attributable to owners of the Company	**2,990,734**	3,001,234

39. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (Continued)

The movements of the reserves of the Company are as follows:

	Share premium RMB'000	Share-based payment reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
As at December 31, 2019	3,434,420	78,773	(683,281)	2,829,912
Loss and total comprehensive expense for the year	–	–	(104,026)	(104,026)
Issue of ordinary shares from exercising over-allotment options	245,220	–	–	245,220
Transaction costs directly attributable to issue of new shares from exercising over-allotment options	(7,554)	–	–	(7,554)
Exercise of share options	40,663	(35,626)	–	5,037
Recognition of equity-settled shares-based payment	–	32,632	–	32,632
As at December 31, 2020	3,712,749	75,779	(787,307)	3,001,221
Loss and total comprehensive expense for the year	–	–	(18,939)	(18,939)
Exercise of share options	4,009	(3,663)	–	346
Recognition of equity-settled shares-based payment	–	8,093	–	8,093
As at December 31, 2021	3,716,758	80,209	(806,246)	2,990,721

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

General information of subsidiaries

The Company has direct and indirect equity interests in the following subsidiaries:

Name of subsidiaries	Place of incorporation/ operation and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Company		Principal activities
			2021	2020	
Directly held:					
Alphamab Oncology (BVI) Ltd.	The BVI/ April 19, 2018	Issued capital of US$1 and paid-in capital of US$1	100%	100%	Investment holding
Indirectly held:					
Alphamab Oncology (HK) Limited	Hong Kong/ May 11, 2018	Issued capital of HK$1 and paid-in capital of HK$1	100%	100%	Investment holding
Jiangsu Alphamab#	The PRC/ July 14, 2015	Registered and paid-in capital of US$170,666,888	100%	100%	R&D manufacturing and commercialization of Biologics of oncology
Alphamab Australia	Australia/ November 20, 2016	Registered capital of AUD1,000,100 and paid-in capital of AUD1,000,000	100%	100%	R&D of drugs
Alphamab USA	USA/ January 12, 2021	Registered capital of US$10 and paid-in capital of nil	100%	100%	R&D of drugs
Alphamab SH#	The PRC/ January 12, 2021	Registered capital of US$50,000,000 and paid-in capital of US$20,999,985	100%	100%	R&D of drugs

Jiangsu Alphamab refers to 江蘇康寧傑瑞生物製藥有限公司，which is a wholly foreign owned enterprise established in the PRC.

Alphamab SH refers to 康寧傑瑞生物製藥有限公司，which is a wholly foreign owned enterprise established in the PRC.

Financial Summary

	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000	**2021 RMB'000**
Results					
Loss before taxation	(64,826)	(202,633)	(832,740)	(427,766)	**(412,417)**
Income tax expense	–	–	–	–	**–**
Loss for the year	(64,826)	(202,633)	(832,740)	(427,766)	**(412,417)**
Loss for the year attributable to:					
Owners of the Company	(33,061)	(149,843)	(832,740)	(427,766)	**(412,417)**
Non-controlling interests	(31,765)	(52,790)	–	–	**–**
	(64,826)	(202,633)	(832,740)	(427,766)	**(412,417)**
Assets and liabilities					
Total assets	46,577	826,893	2,854,583	2,639,522	**2,705,091**
Total liabilities	(20,266)	(1,093,921)	(428,658)	(366,438)	**(834,802)**
Total equity (deficit)	26,311	(267,028)	2,425,925	2,273,084	**1,870,289**
Equity (equity deficiency) attributable to owners of the Company	13,419	(267,028)	2,425,925	2,273,084	**1,870,289**
Non-controlling interests	12,892	–	–	–	**–**
	26,311	(267,028)	2,425,925	2,273,084	**1,870,289**