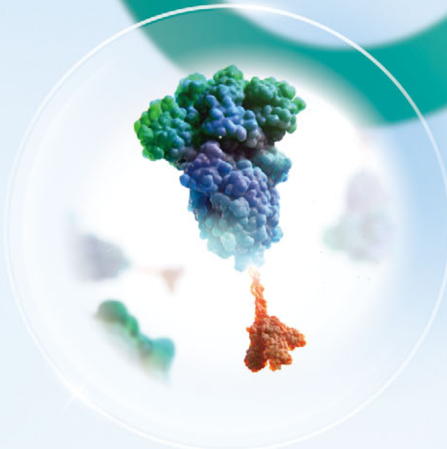
Clover Biopharmaceuticals, Ltd.

三葉草生物製藥有限公司

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE : 2197

ANNUAL REPORT 2023



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COMPANY PROFILE

We are a global commercial-stage biotechnology company committed to unleashing the power of innovative vaccines to save lives and improve health around the world. Our mission is to harness transformative science and global partnerships to bring innovative vaccines to populations worldwide.

With integrated research and development capabilities leveraging the Trimer-Tag technology platform, and our in-house manufacturing and commercial capabilities to develop innovative vaccines, together with strong partnerships domestically and globally, Clover has built a diverse pipeline of candidates that have the potential to meaningfully reduce the burden of vaccine-preventable diseases – and to make more diseases preventable.

Today, with integrated R&D, manufacturing, and commercial capabilities as well as strong partnerships with organizations globally, we have two authorized vaccines, a COVID-19 booster vaccine and a quadrivalent seasonal influenza vaccine, while simultaneously advancing inhouse developed Prefusion F Antibody Respiratory Syncytial Virus (RSV) vaccine candidate at clinical trial stage.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. LIANG Peng *(Chairman)*
Mr. LIANG Joshua G

Non-executive Directors

Dr. WANG Xiaodong
Dr. Donna Marie AMBROSINO
Dr. Ralf Leo CLEMENS

Independent Non-executive Directors

Dr. WU Xiaobin
Mr. LIAO Xiang
Mr. Jeffrey FARROW
Mr. Thomas LEGGETT

AUDIT COMMITTEE

Mr. Thomas LEGGETT *(Chairman)*
Mr. LIAO Xiang
Mr. Jeffrey FARROW

REMUNERATION COMMITTEE

Dr. WU Xiaobin *(Chairman)*
Dr. WANG Xiaodong
Mr. LIAO Xiang

NOMINATION COMMITTEE

Dr. LIANG Peng *(Chairman)*
Dr. WU Xiaobin
Mr. Thomas LEGGETT

AUTHORISED REPRESENTATIVES

Mr. LIANG Joshua G
Ms. CHAU Hing Ling (周慶齡)

JOINT COMPANY SECRETARIES

Ms. WANG Xiaoyan (王曉艷)
Ms. CHAU Hing Ling (周慶齡)
(Fellow member of The Hong Kong Chartered Governance Institute)

REGISTERED OFFICE

PO Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Room 1901
No. 758 West Nanjing Road
Jing'an District
Shanghai
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1901
19/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

CORPORATE INFORMATION

HONG KONG SHARE REGISTRAR

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

HONG KONG LEGAL ADVISOR

Jingtian & Gongcheng LLP
Suites 3203-3207, 32/F
Edinburgh Tower, The Landmark
15 Queen's Road Central
Central
Hong Kong

AUDITOR

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

STOCK CODE

2197

COMPANY WEBSITE

www.cloverbiopharma.com

LISTING DATE

November 5, 2021

CHIEF EXECUTIVE OFFICER'S STATEMENT

Joshua Liang
Chief Executive Officer and Executive Director

Dear Shareholders,

In a challenging macro-economic environment in 2023, Clover has achieved significant progress in pipeline development and initiated our first year of commercialization. Meanwhile, we focus on improving the Company's operational efficiency, which is critical to reassure sustainable development of the Company. We are determined to create long-term value for shareholders and achieve our vision of saving lives and improving global health through innovative vaccines.

In 2023, we became the first domestic vaccine company with proprietary Prefusion F (Pre-F) antigen respiratory syncytial virus (RSV) vaccine to enter clinical trial stage. Our RSV vaccine leverages Clover's proprietary mutation and our Trimer-Tag technology, which is highly differentiated to potentially become one of the best RSV vaccines in the world. The first and second RSV vaccines were approved in the U.S. in May 2023 and reached approximately US$2.5 billion in sales in the second half of 2023 in the U.S. and European markets. It is the consensus of both the capital market and vaccine industry that the RSV vaccine is the next blockbuster product with over US$10 billion market potential across the globe. Clover will focus on efficiently advancing the clinical trials of our RSV vaccine in China and overseas, with the objective to secure regulatory approval and begin commercialization as soon as possible. Based on our preclinical study data and track record of our validated Trimer-Tag platform, we are confident in the clinical study and the future commercial prospects of our RSV vaccine in China and globally.

2023 marked the first year of product commercialization for the Company, represented by the assembly of our China commercial team and a BLA submission completed in Brazil, strategically building Clover for its domestic and global commercialization capabilities. We have two commercial stage vaccine products marketed in China, quadrivalent influenza vaccine in the private market and our proprietary COVID vaccine which is in the government procurement scheme. In February 2023, we became the exclusive distributor of Adimmune Corporation ("**Adimmune**") in mainland China, thus introducing the only imported quadrivalent influenza vaccine to the China mainland market. The influenza vaccine was subsequently listed in 28 provinces and was approved for batch release in September with sales commenced thereafter. The commercial value of the COVID vaccine market overall in China which remains in the government procurement scheme currently remains very limited due to limited market access and low demand for vaccination. In 2023, through the commercialization of these two products, we have accumulated valuable experience in product monetization capabilities in the China vaccine market. In addition, we completed the regulatory submission (BLA) of Adimmune's quadrivalent influenza vaccine in Brazil in November 2023, taking the first step to materialize future commercial opportunities in the respiratory vaccine market of the southern hemisphere. We believe that by gradually building and improving our commercial capabilities, Clover's future commercial potential in the respiratory vaccine market, including our RSV vaccine, can be maximized and contribute to creating long-term value for shareholders.

Meanwhile, the Company has committed to improving operational efficiency in 2023, with operating expenses reduced by more than 50% year-on-year, a trend that we expect to continue in 2024. The number of full time employees has also been reduced to 387, while retaining core talents and capabilities to execute on our corporate objectives. As of the end of 2023, the Company recorded cash and bank balances around RMB1.1 billion. Clover will continue to optimize its corporate structure, improve operational efficiency, and ensure that its resources are focused on the Company's core pipeline development and strategic deployment.

In addition, towards the end of 2023, the Company also announced positive clinical trial data of a targeted therapy for chemotherapy-induced thrombocytopenia (CIT), demonstrating the Company's strong and diversified R&D capabilities. In 2023, our business development team has been actively pursuing potential partners in China and abroad, aiming to license in mid-to-late stage respiratory and pediatric vaccine products to enrich our product portfolio. Overall, in order to utilize the resources of the Company efficiently, we will continue to adopt a cautious and prudent strategy for the in-licensing of new vaccine products.

On behalf of the dedicated team at Clover, I would like to express my sincere gratitude to our shareholders for their long-term trust and support. In an increasingly challenging operating environment, we will continue to focus on our core strategic businesses and adopt a prudent business strategy to gradually become an innovative biopharmaceutical company in China and globally.

Joshua Liang
Chief Executive Officer and Executive Director
Clover Biopharmaceuticals, Ltd.

	As of December 31,	
	2023	2022
	RMB'000	*RMB'000*
Cash and bank balances	1,095,470	1,856,513

	Year Ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Revenue	39,255	–
Other income and gains	2,571,354	23,246
Selling and distribution expenses	(54,766)	–
Administrative expenses	(198,816)	(410,237)
Research and development expenses	(649,885)	(1,465,324)
Other expenses	(1,811,944)	(593,658)
Loss for the year	(138,539)	(2,451,903)
Adjusted loss for the year*	(85,024)	(2,356,880)

* Adjusted loss for the year is not defined under the IFRSs. It represents the loss for the year excluding the effect brought by share-based compensation expenses.

IFRS MEASURES:

Cash and bank balances, including cash and cash equivalents, time deposits, restricted cash and pledged deposits, decreased by RMB761.0 million from RMB1,856.5 million as of December 31, 2022 to RMB1,095.5 million as of December 31, 2023, primarily due to market access capabilities expansion, continued investment in R&D activities and daily operation payout.

Revenue amounted to RMB39.3 million for the year ended December 31, 2023, deriving from the commercial launch of SCB-2019 (CpG 1018/Alum) and AdimFlu-S (QIS) in China. These products were introduced to the market in February and September 2023, respectively, contributing to the revenue growth.

Other income and gains increased by RMB2,548.2 million from RMB23.2 million for the year ended December 31, 2022 to RMB2,571.4 million for the year ended December 31, 2023, mainly because funding received from CEPI amounting to RMB2,540.5 million was recognized in other income as the conditions attached to the funding have been fulfilled in 2023.

Selling and distribution expenses were RMB54.8 million for the year ended December 31, 2023, relating to the commencement of commercial sales operations, primarily consisting of salaries and benefits for commercial team and market development expenses.

Administrative expenses significantly decreased by RMB211.4 million, or approximately 52%, from RMB410.2 million for the year ended December 31, 2022 to RMB198.8 million for the year ended December 31, 2023, primarily due to the further headcount reductions to streamline the organization and other administrative cost saving.

R&D expenses decreased by RMB815.4 million, or approximately 56%, from RMB1,465.3 million for the year ended December 31, 2022 to RMB649.9 million for the year ended December 31, 2023, as SCB-2019 (CpG 1018/Alum) related R&D (clinical, CMC and regulatory) activities were substantially completed and the Group continues to streamline corporate operations and prioritize respiratory vaccine products.

Other expenses increased by RMB1,218.2 million from RMB593.7 million for the year ended December 31, 2022 to RMB1,811.9 million for the year ended December 31, 2023, primarily due to a provision of RMB1,697.4 million of inventories mainly relating to raw materials. The provision was estimated based on multiple factors including evolving market conditions and expected future demand which are subject to future market changes. The accrued provision does not have any impacts on our business operation or cash levels.

Loss for the year decreased by RMB2,313.4 million from RMB2,451.9 million for the year ended December 31, 2022 to RMB138.5 million for the year ended December 31, 2023. The decrease was primarily attributable to recognized other income of funding from CEPI and over 50% reduction in R&D and administrative expenditures, partially offset by accrued provision of inventories.

NON-IFRS MEASURES:

Adjusted loss for the year represents the loss for the year excluding the effect brought by share-based compensation expenses.

The term adjusted loss for the year is not defined under the IFRSs. The table below sets forth reconciliation of the loss for the year to adjusted loss for the year:

	Year Ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Loss for the year	(138,539)	(2,451,903)
Added:		
Share-based compensation expenses	53,515	95,023
Adjusted loss for the year	(85,024)	(2,356,880)

BUSINESS HIGHLIGHTS

During the Reporting Period, the Company made significant progress in developing our product portfolio and optimizing our business operations:

OUR PRODUCTS AND CANDIDATES

Respiratory Syncytial Virus (RSV) Vaccine

- The Company is the first Chinese vaccine corporate with an in-house developed prefusion F (PreF) RSV vaccine candidate entering into clinical trial stage.

- In December 2023, the Company announced that the enrollment of the first participants had been completed in a Phase I first-in-human study evaluating the Company's RSV prefusion F (PreF)-Trimer subunit vaccine candidate (SCB-1019), which is based on the Company's Trimer-Tag vaccine technology platform and in-house proprietary stabilization mutations.

AdimFlu-S (QIS)

- In February 2023, the Company announced that it entered into an exclusive agreement with Adimmune Corporation ("**Adimmune**") to distribute AdimFlu-S (QIS) in mainland China, where it is the only imported seasonal quadrivalent influenza vaccine approved for use in individuals aged three years and older.

- In September 2023, the Company announced the launch of AdimFlu-S (QIS) in mainland China. As at the date of this report, the AdimFlu-S (QIS) vaccine has been listed in 28 provinces and municipalities in China.

- In November 2023, The Company announced that the Company had completed the Biologic License Application (the "**BLA**") submission for its seasonal influenza vaccine (AdimFlu-S) to the Brazilian Health Regulatory Agency. Upon approval, the Company will work with its local partner to commercialize the product in Brazil.

SCB-219M

- SCB-219M is a fusion protein (TPO-mimetic bispecific-Fc) targeted to treat chemo-induced thrombocytopenia (CIT).

- In December 2023, the Company announced positive preliminary safety, efficacy and pharmacokinetics data in a Phase I clinical trial evaluating SCB-219M.

COVID-19 Vaccine

- As at the date of this report, the Company's COVID-19 vaccine has been listed in 28 provinces and municipalities in China, demonstrating the Company's commercial manufacturing and market access capabilities, which will be leveraged to maximize the commercial opportunities of its quadrivalent influenza vaccine and other vaccine products in the future.

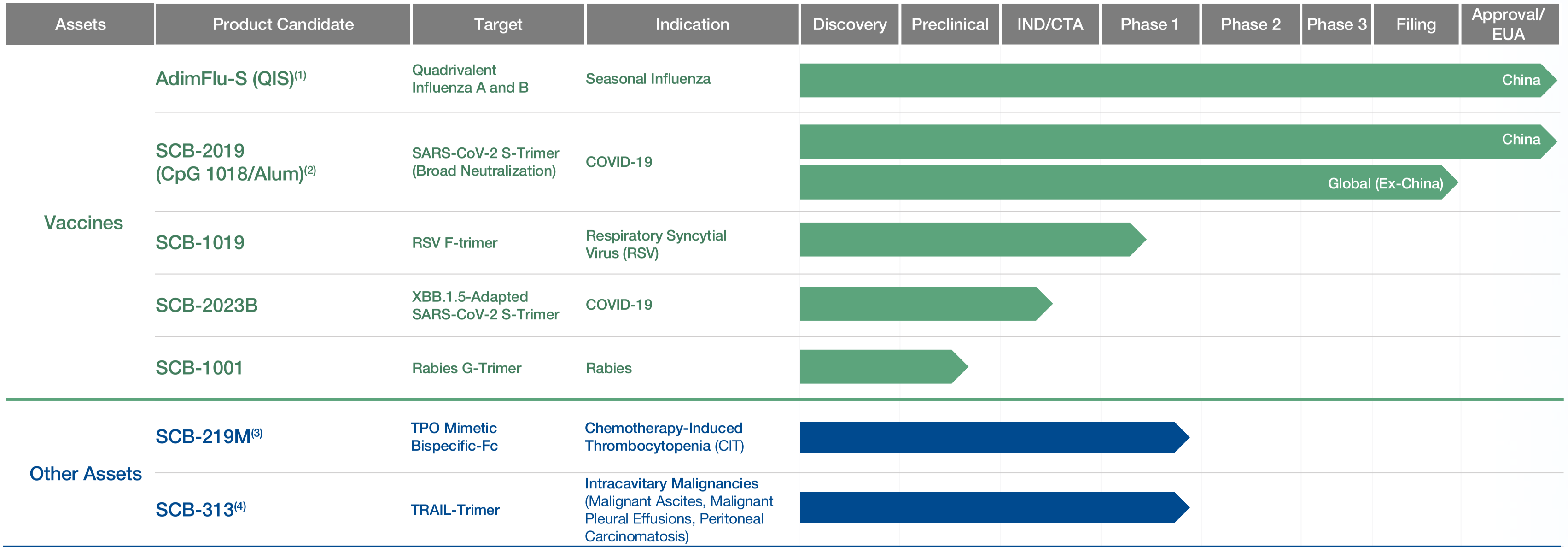
MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Clover is a global commercial-stage biotechnology company committed to unleashing the power of innovative vaccines to save lives and improve health around the world. With integrated research and development, manufacturing and commercial capabilities as well as strong partnerships with organizations globally, the Company has a diverse pipeline of candidates that have the potential to meaningfully reduce the burden of vaccine-preventable diseases and to make more diseases preventable.

The Trimer-Tag technology platform, which was validated by the successful development of COVID-19 vaccine SCB-2019 (CpG 1018/Alum) and is being leveraged for the development of RSV vaccine candidate SCB-1019, is a product development platform for the creation of protein-based vaccines based on naturally trimerization-dependent targets. The Trimer-Tag technology platform can trimerize any protein of interest into covalently-trimerized structures. The trimerization motif of Trimer-Tag is based on a human amino acid sequence derived from human collagen (C-terminal domain of Type I procollagen). Currently, Trimer-Tag is the only trimerization technology platform globally for producing recombinant, covalently-trimerized fusion proteins (trimer-tagged proteins) utilizing a human-derived trimerization tag.

During the Reporting Period, the Company achieved multiple key milestones in R&D, manufacturing, and commercialization. In the beginning of 2023, the Company entered into an exclusive agreement with Adimmune to distribute AdimFlu-S (QIS) in mainland China, demonstrating integrated business development and commercial capabilities as a leading vaccine company in the region. After announcing the updated pipeline strategy, the Company committed resources on the development of RSV vaccine candidate leveraging the validated Trimer-Tag platform and successfully completed enrollment of the first participants in Phase I clinical study in Australia.



(1) Clover entered into an exclusive agreement with Adimmuneto commercialize AdimFlu-S (QIS) in mainland China in February 2023. (2) COVID-19 vaccine received EUA in China in December 2022. (3) Interim Phase 1 data anticipated in Q4-2023. (4) Oncology product candidate for the treatment of malignant ascites (MA), malignant pleural effusions (MPE), and peritoneal carcinomatosis (PC) to address global unmet medical need of intracavitary malignancies. Five Phase 1 trials completed in China and Australia. Continued internal development of SCB-313 has been paused and pending further assessment of development strategy and resource allocation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Our Products and Candidates

The Company focused on building a leading respiratory vaccine franchise to address unmet needs in preventing serious respiratory infectious diseases and to capture related significant cross-promotion, co-administration, and long-term lifecycle management opportunities.

RSV Vaccine Candidate

SCB-1019 is the Company's RSV vaccine candidate based on prefusion-stabilized F (PreF) protein leveraging the validated Trimer-Tag platform.

- In December 2023, the Company announced that enrollment of the first participants had been completed in a Phase I first-in-human study evaluating SCB-1019, the Company's RSV prefusion F (PreF)-Trimer subunit vaccine candidate.

  o The Phase I clinical trial in Australia is a randomized, placebo-controlled study to assess the safety, reactogenicity and immunogenicity of SCB-1019 at multiple dose levels and in different formulations in young and older adults. Safety and immunogenicity results are expected by the second half of 2024.

- Leveraging Trimer-Tag platform, the Company believes it can uniquely address the high technical hurdles for RSV vaccine development, enabling it to be a leading RSV vaccine developer in China with differentiation to compete in global markets.

  o Stabilized PreF Antigen: Stabilization of RSV fusion (F) antigen in its native prefusion and trimeric conformation (“**PreF**”) is critical to conferring protective efficacy by preserving the most potent neutralizing antibody epitopes. To date, the Company has confirmed that SCB-1019 preserves all of the most prominent neutralizing antibody epitopes (sites Ø, V, IV, III, II, I) and importantly does not bind to postfusion-specific monoclonal antibody, which may enable SCB-1019 to potentially achieve a top-tier protective efficacy profile.

  o Immunological Breadth: SCB-1019 is designed to induce neutralization across both RSV A and RSV B which is important to conferring broad and durable protection against RSV across different regions and seasons.

  o Safety & Tolerability: The safety and tolerability profile of vaccines is important to maximizing uptake and differentiating against competition. Based on preclinical studies to date, SCB-1019 is planned to be developed without the use of an oil-in-water emulsion adjuvant and is thus expected to potentially have a best-in-field safety and tolerability profile, which may also enable it to be developed for the infant population.

  o Commercial Manufacturing Readiness: SCB-1019 is produced utilizing the same Trimer-Tag platform used in Clover's COVID-19 vaccine, and commercial production is planned at Clover's Changxing facility which has passed multiple GMP inspections and has also received a vaccine Drug Manufacturing License (DML) from China NMPA.

AdimFlu-S (QIS)

- In February 2023, the Company announced that it entered into an exclusive agreement with Adimmune to distribute AdimFlu-S (QIS) in mainland China, where it is the only imported seasonal quadrivalent influenza vaccine approved for use in individuals aged three years and older.

  - The exclusive agreement also grants the Company rights to commercialize AdimFlu-S (QIS) in Bangladesh, Brazil and Philippines, contingent on regulatory approvals, and to potentially collaborate with Adimmune on the development of additional vaccine candidates including next generation influenza vaccines.

- In May 2023, the Company announced a collaboration with Keyuan Xinhai (Beijing) Medical Products Trading Co. Ltd. (科園信海（北京）醫療用品貿易有限公司) (“**Kyuan Trade**”) to leverage Kyuan Trade’s extensive sales and distribution network to complement in-house capabilities and maximize access to AdimFlu-S (QIS).

- In September 2023, the Company announced the launch of AdimFlu-S (QIS) in mainland China. As at the date of this report, the AdimFlu-S (QIS) vaccine has been listed in 28 provinces and municipalities in China.

- In November 2023, The Company announced that the Company had completed the Biologic License Application (the “**BLA**”) submission for AdimFlu-S to the Brazilian Health Regulatory Agency. Upon approval, the Company will work with its local partner to commercialize the product in Brazil.

  - If approved in Brazil, the Company’s seasonal influenza vaccine would have access to the southern hemisphere market, enabling annual sales in the first half of the year to supplement sales in the second half of the year in northern hemisphere markets such as China, while also better utilizing Adimmune Corporation’s production capacity year-round. Brazil is an important vaccine market strategically, as the country has the world’s second largest seasonal influenza vaccine market.

SCB-219M

SCB-219M is a fusion protein (TPO-mimetic bispecific-Fc) targeted to treat chemo-induced thrombocytopenia (CIT). Compared to native TPO-based therapy which is commercially available in China, SCB-219M could potentially overcome reduced efficacy due to anti-drug antibodies (ADA) and achieve a more convenient dosing regimen attributed to its longer half-life.

- In December 2023, the Company announced positive preliminary safety, efficacy and pharmacokinetics data in a Phase I clinical trial evaluating SCB-219M.

- o Preliminary data showed that all cancer patients enrolled (n=9) receiving chemotherapy plus a single subcutaneous dose of SCB-219M observed platelet counts maintained or recovered at >75 x 10^9/L (threshold level for CIT) after one week, with responses durable through at least three weeks (i.e. through the chemotherapy cycle). In comparison, following administration of the same chemotherapy (but without SCB-219M) in the same cancer patients prior to enrolling into the trial, all evaluable patients had observed platelet counts drop to <75 x 10^9/L between one and three weeks. The durable preliminary efficacy and pharmacokinetic profile observed for SCB-219M are potentially supportive of dosing intervals ≥2-weeks. If further confirmed, this profile could enable convenient dosing of SCB-219M synchronized with any given patient's chemotherapy regimen, typically 2-3 weeks per cycle. A favorable safety and tolerability profile for SCB-219M has also been observed to-date, with no serious adverse events (SAEs) and no dose-limiting toxicity (DLT) identified.

- o A Phase I b trial evaluating repeated dosing of SCB-219M in CIT and CTIT (cancer treatment-induced thrombocytopenia) patients is planned to initiate in 2024.

COVID-19 Vaccine

- As at the date of this report, the Company's COVID-19 vaccine has been listed in 28 provinces and municipalities in China, demonstrating the Company's commercial manufacturing and market access capabilities, which will be leveraged to maximize the commercial opportunities of its quadrivalent influenza vaccine and other vaccine products in the future. In 2023, the Company made a rolling regulatory submission to the Chinese regulatory authorities for its XBB.1.5-adapted COVID-19 vaccine candidate.

- Global demand for COVID-19 vaccines is relatively low at present. Nonetheless, SARS-CoV-2 variants still exist and have continued to evolve. The Company will continue to engage with regulatory authorities and policymakers regarding COVID-19 vaccines and will allocate resources accordingly based on changing policies and market dynamics. In the future, we think the potential private market of COVID-19 vaccine in China and globally could generate more significant commercial value. We will continue evaluating this sizable business opportunity, subject to policy and operation dynamics.

SCB-808

- After internal scientific, financial and strategic assessments, the Company decided to suspend certain programs including SCB-808 and to allocate more resources mainly to the R&D of respiratory vaccine product pipelines.

We cannot guarantee that we will ultimately develop or market our core product successfully. Shareholders and potential investors of our Company are advised to exercise due care when dealing in the Shares of our Company.

R&D

Transitioning to a commercial-stage biotechnology company, the Company continues to value scientific innovation and expand its product and candidate portfolio to achieve long-term and sustainable development.

The Company has been equipped and empowered by a comprehensive R&D team enabling product candidate discovery, proof-of-concept, preclinical and clinical development. As of December 31, 2023, the Company's in-house R&D activities were supported by 145 employees across regions.

Manufacturing

During the Reporting Period, the Company established commercial manufacturing capability to produce and supply its COVID-19 vaccine at its in-house manufacturing facility in Changxing, Zhejiang province. The facility has achieved commercial GMP status in China and received a vaccine Drug Manufacturing License (DML) from the China NMPA, representing potential advantages compared to other domestic manufacturers utilizing new manufacturing sites. This in-house manufacturing site has proven commercial scale production track record and will be valuable to the development of the Company's other product candidate, including RSV vaccine candidate SCB-1019.

Other Key Corporate Developments

- In May 2023, the Company was included in the Hang Seng Innovative Drug Index, which aims to reflect the performance of companies in the research, development and manufacture of innovative drugs. The inclusion represents R&D strength the Company has established over the years and recognition by the financial community.

- To navigate the challenges of the macroeconomic environment at the moment, the Company took significant measures to (1) heighten focus on its core strengths and capabilities in vaccine development and (2) prudently evaluate its expenses and streamline the organization to increase efficiency and improve effectiveness. The Company will continue to focus resources on achieving its top priorities while continuing to build an innovative portfolio that can potentially generate significant value-creation opportunities.

Future Outlook

Since the beginning of 2023, The Company has achieved significant progress on building a leading respiratory vaccine franchise with the addition of a commercial-stage quadrivalent flu vaccine and advancement of our RSV vaccine candidate, which is under development utilizing the validated Trimer-Tag platform. Looking forward, the Company will continue to prioritize resources to accelerate the development of our RSV vaccine candidate, in pursuit of a blockbuster and a growing market opportunity.

In terms of corporate governance, the Company has taken significant measures towards corporate financial sustainability by improving operating efficiency, pursuing commercialization opportunities and maintaining a resilient cash position to support future success.

FINANCIAL REVIEW

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

	Year ended December 31,	
	2023 *RMB'000*	2022 *RMB'000*
REVENUE	39,255	–
Cost of sales	(15,014)	–
Gross profit	24,241	–
Other income and gains	2,571,354	23,246
Selling and distribution costs	(54,766)	–
Administrative expenses	(198,816)	(410,237)
Research and development expenses	(649,885)	(1,465,324)
Other expenses	(1,811,944)	(593,658)
Finance costs	(18,723)	(5,930)
LOSS BEFORE TAX	(138,539)	(2,451,903)
Income tax expense	–	–
LOSS FOR THE YEAR	(138,539)	(2,451,903)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company	88,246	399,857
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	88,246	399,857
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(69,237)	(379,402)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(69,237)	(379,402)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	19,009	20,455
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(119,530)	(2,431,448)
Non-IFRS Measures		
Adjusted loss for the year	(85,024)	(2,356,880)

Revenue

The Group's revenue derives from the commercial launch of SCB-2019 (CpG 1018/Alum) and AdimFlu-S (QIS) in China since February and September 2023, respectively, and amounted to RMB39.3 million for the year ended December 31, 2023.

Other Income and Gains

The Group's other income and gains primarily consist of funding from CEPI, government grants and bank interest income.

For the year ended December 31, 2023, other income and gains increased by RMB2,548.2 million from RMB23.2 million for the year ended December 31, 2022 to RMB2,571.4 million, primarily due to recognised funding from CEPI of RMB2,540.5 million. Given that the conditions attached to the funding agreement with CEPI in relation to certain amount have been fulfilled by the Company in 2023, the deferred revenue was recognised in other income in accordance with IAS 20.

Selling and Distribution Expenses

For the year ended December 31, 2023, selling and distribution expenses of the Group were RMB54.8 million, relating to the commencement of commercial sales operations, primarily consisting of salaries and benefits for commercial team and market development expenses.

Administrative Expenses

The Group's administrative expenses primarily consist of (i) employee salaries and benefits, including accrued share-based compensation expenses; (ii) consulting fees; (iii) depreciation and amortization expenses; (iv) office expenses; and (v) professional service fees, which mainly include third-party recruitment agency costs. Other administrative expenses include IT software license expenses and other miscellaneous expenses in connection with administration activities.

For the year ended December 31, 2023, administrative expenses of the Group significantly decreased by RMB211.4 million, or approximately 52%, from RMB410.2 million for the year ended December 31, 2022 to RMB198.8 million. This reduction was primarily attributable to a decrease of RMB135.5 million in employee salaries and benefits, due to the further headcount reductions in general and administrative functions to streamline the organization. In addition, consulting fees and third-party recruitment agency costs decreased, as a result of enhanced operational efficiency and cost-saving measures.

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Employee salaries and benefits	132,871	268,350
– Share-based compensation expenses	*34,626*	*62,637*
Consulting fees	26,260	54,973
Depreciation and amortization	13,471	28,817
Office expenses	8,450	17,726
Professional service fees	2,509	18,815
Others	15,255	21,556
Total	198,816	410,237

Research and Development Expenses

The Group's R&D expenses primarily consist of: (i) employee salaries and benefits, including accrued share-based compensation expenses; (ii) clinical trial expenses, mainly consisting of payments to CROs, hospitals and other medical institutions and related fees; (iii) costs of raw materials and consumables used for R&D activities; (iv) R&D consulting and service fees, mainly related to preclinical study costs and service fees incurred by CDMOs to prepare for commercial launch; and (v) depreciation and amortization in relation to our leasehold buildings, machinery and equipment.

For the year ended December 31, 2023, R&D expenses decreased by RMB815.4 million, or 56%, from RMB1,465.3 million for the year ended December 31, 2022 to RMB649.9 million. The decrease was primarily attributable to (i) a significant decrease in CDMO service fees related to technology transfer and process validation, raw materials and consumables used, and clinical trial expenses, as SCB-2019 (CpG 1018/Alum) related R&D (clinical, CMC and regulatory) activities were substantially completed; and (ii) the decrease in employee salaries and benefits, as the Group continues to streamline corporate operations and prioritize respiratory vaccine products.

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Employee salaries and benefits	236,323	386,584
– Share-based compensation expenses	*16,443*	*30,408*
Clinical trial expenses	196,479	413,021
R&D consulting and service fees	50,692	322,864
Costs of raw materials and consumables	57,986	245,258
Depreciation and amortization	53,764	29,263
Others	54,641	68,334
Total	649,885	1,465,324

Other Expenses

The Group's other expenses primarily consist of write-down of inventories to net realizable value, net foreign exchange loss and severance costs.

For the year ended December 31, 2023, other expenses of the Group increased by RMB1,218.2 million from RMB593.7 million for the year ended December 31, 2022 to RMB1,811.9 million, primarily due to a provision of RMB1,697.4 million of inventories mainly relating to raw materials. Due to the evolving landscape of market environment to date, the Company updated the forecasted future sales of its COVID-19 vaccine products based on decreasing demands for COVID-19 vaccines, so as to estimate the future usage of COVID-19 vaccine related inventories and made provision accordingly. Impairment loss of inventories is also due to the shrinking market for quadrivalent seasonal influenza vaccine during the Reporting Period compared to previous flu season. The determination of the provision of inventories involves critical management estimates and is subject to market changes.

Finance Costs

The Group's finance costs primarily consist of (i) interest on bank loans and (ii) interest on lease liabilities, mainly in relation to its offices in Shanghai, Chengdu and Beijing.

For the year ended December 31, 2023, finance costs of the Group increased by RMB12.8 million from RMB5.9 million for the year ended December 31, 2022 to RMB18.7 million, primarily due to the increase in interest expenses on bank loans.

Loss for the Year

As a result of the above, the loss of the Group decreased by RMB2,313.4 million from RMB2,451.9 million for the year ended December 31, 2022 to RMB138.5 million for the year ended December 31, 2023.

Non-IFRS Measure

To supplement the Group's annual consolidated financial statements, which are presented in accordance with the IFRSs, the Group also provides adjusted loss for the year as supplemental information. Such measures are not required by the IFRSs, but the Group deems it useful information to its Shareholders and potential investors for the evaluation of the Group's annual consolidated financial results.

Adjusted loss for the year represents the loss for the year excluding the effect brought by share-based compensation expenses. This non-IFRS measure should not be considered in isolation from, or as a substitute for the analysis of, the Group's IFRS reporting. The Company's presentation of such adjusted figures may not be comparable to a similarly titled measure presented by other companies. However, the Company believes that this non-IFRS measure is a better indication of the Group's normal operating results and a better basis for the comparison of operating performance from period to period.

The table below sets forth a reconciliation of the loss for the year to the adjusted loss for the year during the years indicated:

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Loss for the year	(138,539)	(2,451,903)
Added:		
Share-based compensation expenses	53,515	95,023
Adjusted loss for the year	(85,024)	(2,356,880)

Selected Data from Consolidated Statement of Financial Position

	As of December 31,	
	2023	2022
	RMB'000	*RMB'000*
Total current assets	1,899,519	4,389,929
Total non-current assets	201,915	304,777
Total Assets	2,101,434	4,694,706
Total current liabilities	2,277,003	2,829,205
Total non-current liabilities	557,264	2,533,638
Total liabilities	2,834,267	5,362,843
Net current assets	(377,484)	1,560,724

Liquidity and Source of Funding and Borrowings

As of December 31, 2023, the Group's cash and bank balances, including cash and cash equivalents, time deposits, restricted cash and pledged deposits, decreased by RMB761.0 million from RMB1,856.5 million as of December 31, 2022 to RMB1,095.5 million. The decrease primarily resulted from market access capabilities expansion, continued investment in R&D activities and daily operation payout. The sustainability of cash position can be achieved through enhancing revenue streams and optimizing operating expenses.

As of December 31, 2023, the current assets of the Group totaled RMB1,899.5 million, including cash and cash equivalents, time deposits, restricted cash and pledged deposits of RMB1,095.5 million, trade receivables of RMB24.1 million, prepayments, other receivables and other assets of RMB68.8 million, inventories of RMB697.0 million and financial assets at fair value through profit or loss of RMB14.1 million.

As of December 31, 2023, the current liabilities of the Group were RMB2,277.0 million, including contract liabilities of RMB1,577.8 million, trade payables of RMB247.8 million, other payables and accruals of RMB124.8 million, lease liabilities of RMB18.5 million and interest-bearing bank borrowings of RMB308.1 million.

As of December 31, 2023, the Group had short-term bank loans of RMB308.1 million, bearing fixed interest rates ranging from 3.45% to 7.3261% per annum. The new borrowings during the Reporting Period were raised to fully enhance the efficiency of capital.

Currently, the Group follows a set of funding and treasury policies to manage its capital resources and mitigate potential risks. The Group endeavors to maintain an adequate level of cash and cash equivalents to address short-term funding needs. The Board would also consider various funding sources depending on the Group's funding needs to ensure that the financial resources have been used in the most cost-effective and efficient way to meet the Group's financial obligations. The Board reviews and evaluates the Group's funding and treasury policy from time to time to ensure its adequacy and effectiveness.

Significant Investments, Material Acquisitions and Disposals

As of December 31, 2023, the Group did not hold any significant investments. The Group also did not have material acquisitions or disposals of subsidiaries, associates, and joint ventures for the year ended December 31, 2023.

Future Plans for Material Investments or Capital Assets

The Group had no other material capital expenditure plan as of the date of this report.

Contingent Liabilities

As of December 31, 2023, the Group did not have any contingent liabilities that we expected, would materially adversely affect our business, financial position or results of operations.

Gearing Ratio

The gearing ratio is calculated using interest-bearing bank borrowings less cash and bank balances, divided by total equity and multiplied by 100%. As of December 31, 2023, the Group was in a net cash position and thus, gearing ratio is not applicable.

Capital Commitments

The capital commitments of the Group as of December 31, 2023 were RMB16.4 million, reflecting a decrease of RMB5.7 million from RMB22.1 million as of December 31, 2022, primarily attributable to the decrease in our future payments in relation to the construction of manufacture facilities and intangible assets.

Pledge of Assets

As of December 31, 2023, the Group had a total of RMB343.4 million of time deposits pledged to secure its bank borrowings.

Foreign Exchange Exposure

The Company's functional currency is USD and the functional currency of the Company's subsidiaries in China is RMB. During the Reporting Period, the Group mainly operated in China with most of its transactions settled in RMB and USD. Our financial assets and liabilities are subject to foreign currency risk as a result of certain cash and bank balances, trade receivables, other receivables, trade payables, other payables and interest-bearing bank borrowings denominated in non-functional currencies. Therefore, fluctuations in the exchange rate of functional currency against non-functional currency could affect our results of operations. The Group currently does not have a foreign currency hedging policy. However, its management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure when needed.

Employees and Remuneration

As of December 31, 2023, the Group had 387 employees. The total remuneration cost incurred by the Group for the year ended December 31, 2023 was RMB390.3 million. The following table sets forth the details of our employees by function as of December 31, 2023:

Function	Number of employees	% of total
R&D	145	37.5%
Manufacturing and CMC	114	29.5%
General and Administrative	64	16.5%
Selling and Marketing	64	16.5%
Total	387	100%

The remuneration package of the Group's employees includes salary, bonus and equity incentives, which is generally determined by their qualifications, industry experience, position and performance. The Group makes contributions to social insurance and housing provident funds in accordance with relevant laws and regulations.

The Company has also adopted a restricted share unit scheme and a pre-IPO share option plan on April 15, 2021 and a post-IPO share option plan on September 26, 2021 to provide incentives for the eligible participants. For details, please refer to the paragraph headed "D. Share Incentive Plans" in Appendix IV to the Prospectus.

EXECUTIVE DIRECTORS

Dr. LIANG Peng, aged 63, was appointed as an executive Director on October 31, 2018. Dr. Liang is primarily responsible for overall management of the business strategy, corporate development and R&D of the Group. Dr. Liang founded the Group when he established and acted as the chairman of Sichuan Clover in June 2007.

In addition to the Company and Sichuan Clover, Dr. Liang is also serving the following positions in the Group:

- the chairman of Zhejiang Clover since August 2016;
- the president of U.S. Clover since April 2020;
- a director of Australia Clover since June 2017; and
- a director of H.K. Clover since November 2018.

Dr. Liang has over 25 years of experience in both business and academic fields of the pharmaceutical industry. Prior to founding the Group, Dr. Liang founded GenHunter Corporation in October 1992 and has served as the chairman since its incorporation. From 1995 to 2010, he served as an associate professor in Cancer Biology at Vanderbilt University. From November 2007 to June 2018, Dr. Liang served as adjunct professor in Biochemistry and Molecular Biology at Sichuan University (四川大學). Since July 2021, Dr. Liang has served as a member of the scientific advisory committee of Shandong Boan Biotech Co., Ltd. (山東博安生物技術股份有限公司).

Dr. Liang obtained a Bachelor's Degree in biochemistry from Peking University (北京大學) in July 1982 in China. He received a Doctor of Philosophy in biochemistry from the University of Illinois in May 1990, after which he was a postdoctoral fellow in biochemistry at Harvard Medical School until August 1995 in the U.S. Dr. Liang was a recipient of the 1997 Prize for Innovative Technology awarded by the Society of Chinese Bioscientists in America and the 1998 Prize Molecular Bioanalytics awarded by the German Society of Biochemistry and Molecular Biology.

Save that Dr. LIANG Peng is the father of Mr. LIANG Joshua G, none of the members of the Board is related to one another.

Mr. LIANG Joshua G, aged 32, was appointed as an executive Director on December 25, 2020. Mr. Liang is primarily responsible for leading the management and operation of all functional departments and supervising product strategy of the Group. Mr. Liang joined the Group in April 2016 as the chief strategy officer of Sichuan Clover.

In addition to the positions in the Company, Mr. Liang is serving the following positions in the Group:

- a director and the chief executive officer of Sichuan Clover since September 2017 and June 2020, respectively;
- a director and the general manager of Zhejiang Clover since August 2016;
- the executive director and general manager of Beijing Clover since August 2020;

- the executive director and general manager of Shanghai Clover since February 2021;
- the chief executive officer of U.S. Clover since April 2020;
- the executive director and chief executive officer of Australia Clover since December 2020;
- a director of HK Clover since December 2020; and
- a director of UK Clover since January 2024.

Prior to joining the Group, Mr. Liang served as an analyst at Centerview Partners from July 2014 to February 2016, where he was mainly responsible for assisting in analyzing industry dynamics, competitive positioning and business strategies.

Mr. Liang obtained Bachelor's Degrees in both economics and biology from the University of Pennsylvania in May 2014 in the U.S.

NON-EXECUTIVE DIRECTORS

Dr. WANG Xiaodong, aged 61, was appointed as a non-executive Director on March 16, 2021. Dr. Wang is primarily responsible for providing guidance and advice on the corporate and business strategies of the Group. Dr. Wang joined the Group in December 2011 as a director of Sichuan Clover.

Dr. Wang is concurrently serving the following positions outside the Group:

- a director at Beigene Inc., a pharmaceutical company whose shares are listed on both NASDAQ (ticker symbol: BGNE) and the Stock Exchange (stock code: 6160), since February 2016; and
- a director at National Institute of Biological Sciences, Beijing (北京生命科學研究所) since October 2009.

Prior to joining the Group, Dr. Wang served as a chair professor of Biomedical Sciences at the University of Texas Southwestern Medical Center from 2001 to 2010 and an investigator at Howard Hughes Medical Institute from 1997 to 2010 in the U.S.

Dr. Wang received a Doctor of Philosophy in biochemistry from the University of Texas Southwestern Medical Center in May 1991 in the U.S. and a Bachelor's Degree in biology from Beijing Normal University (北京師範大學) in July 1984 in China. Dr. Wang was awarded many prizes in his professional field, including the Shaw Prize in Life Science and Medicine by the Shaw Prize Foundation (邵逸夫基金會) in September 2006, the Qiu Shi Science and Technologies Prize from the Qiu Shi Science and Technologies Foundation (求是科技基金會) in August 2013, and the King Faisal Prize in Science from the King Faisal Foundation, Saudi Arabia in 2020.

Dr. Donna Marie AMBROSINO, aged 72, was appointed as a non-executive Director with effect from June 17, 2022. Dr. Ambrosino has been serving as a research advisor and member of the vaccine scientific advisory board of the Company (the "**SAB**") since 2020. Dr. Ambrosino has had a career as a scientific leader in biologics and vaccine development for over 35 years. Since 2022, Dr. Ambrosino has been on the board of directors of Inventprise, a biotechnology company specializing in vaccine product development. In addition, she has served as (i) a member of the scientific advisory board of Everest Medicines Limited, a company whose shares are listed on The Stock Exchange of Hong Kong Limited (stock code: 1952) since 2021; (ii) a member of the scientific advisory board of Senda, a therapeutics platform company creating novel treatments since 2021; (iii) a member of the scientific advisory board of Vaxxinity, Inc., a company whose shares are listed on the National Association of Securities Dealers Automated Quotations ("**NASDAQ**") (ticker symbol: VAXX) since 2020; (iv) an advisor to the Bill & Melinda Gates Foundation since 2020; (v) an advisor to CEPI regarding development of COVID-19 vaccines since 2020; and (vi) the managing director of Ambrosino Biotech Consulting, LLC since 2018.

From 2016 to 2019, Dr. Ambrosino served as the chief executive officer at Nosocomial Vaccine Corporation, a company principally engaged in R&D of vaccines against nosocomial infections and where she was primarily responsible for leading the collaborative discovery and development of a gram-negative vaccine for hospital acquired infections. From 2014 to 2019, Dr. Ambrosino served as the chief medical officer at ClearPath Vaccines Company LLC, where she was primarily responsible for the development of vaccines. From 2012 to 2014, Dr. Ambrosino served as the chief medical officer at Visterra Inc., a company principally engaged in R&D of therapeutic and diagnostic products for infectious diseases. From 1998 to 2011, Dr. Ambrosino served as the chief executive officer at MassBiologic, where she was primarily responsible for the overall operations and management. Dr. Ambrosino was also an associate professor of pediatrics at the Dana-Farber Cancer Institute and Children's Hospital, Harvard Medical School. At Harvard Medical School she was a National Institutes of Health-funded researcher.

Dr. Ambrosino obtained a Bachelor's Degree in biology from Harvard University in 1974 and a Doctor of Medicine Degree from the Geisel School of Medicine at Dartmouth (formerly known as Dartmouth Medical School) in 1977. Dr. Ambrosino was granted the Governor's Award for Public Service by the State of Massachusetts in 2006.

Dr. Ralf Leo CLEMENS, aged 71, was appointed as a non-executive Director with effect from June 17, 2022. Dr. Clemens has been serving as the chairman of the SAB since its inception in 2020.

Dr. Clemens has held executive positions in several leading multinational corporations and has developed and brought to licensure more than 25 different vaccines globally. He has been appointed to the board of directors of (i) Inventprise since 2022 and (ii) CureVac N.V., a company whose shares are listed on NASDAQ (ticker symbol: CVAC), since 2015. In addition, he has served as (i) the chairman of the scientific advisory board of Valneva SE, a company whose shares are listed on NASDAQ (ticker symbol: VALN) and Euronext Paris (ticker symbol: VLA), since 2020; (ii) a member of the scientific advisory board of HilleVax, Inc., a company whose shares are listed on NASDAQ (ticker symbol: HLVX), since 2020; (iii) a member of the scientific advisory board of Icosavax, Inc., a company whose shares are listed on NASDAQ (ticker symbol: ICVX), since 2019; (iv) a member of the board of trustees of the International Vaccine Institute, a leading global vaccinology organization initiated by the United Nations Development Programme, since 2018; (v) a member of the selection committee of Global Health Innovative Technology Fund from Japan since 2016; and (vi) an external scientific advisor to the Bill & Melinda Gates Foundation since 2012. Dr. Clemens also founded GRID EUROPE LTD in 2015 and has served as a director since its incorporation.

From 2012 to 2015, Dr. Clemens served as senior vice president at Takeda Vaccines Inc., where he was primarily responsible for the global vaccine development. From 2006 to 2012, Dr. Clemens served as the global head of vaccine development at Novartis Vaccines, where he was primarily responsible for vaccine development. From 1988 to 2006, Dr. Clemens consecutively served as vice president and senior vice president at GlaxoSmithKline, where he was primarily responsible for global vaccine development and business in Latin America.

Dr. Clemens obtained Doctor of Medicine and Doctor of Philosophy degrees from the Johannes Gutenberg University Mainz in Germany in 1977 and 1979, respectively. Dr. Clemens is the author of more than 190 publications and 250 presentations in the fields of vaccines, immunization, and tropical medicine.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. WU Xiaobin, aged 62, was appointed as an independent non-executive Director on April 19, 2021 with effect from September 26, 2021. He is primarily responsible for supervising and providing independent judgement to our Board.

Dr. Wu has more than 25 years of rich experience in the pharmaceutical industry, including 17 years leading China operations of multinational companies, with expertise in integrated R&D, strategy, commercialization and general management. Prior to joining the Group, Dr. Wu was global president and general manager of BeiGene since May 2018. Before joining BeiGene, Dr. Wu served as the country manager of Pfizer China; and regional president of Pfizer Essential Health in Greater China Region from October 2009 to April 2018. Under his leadership, Pfizer China experienced significant growth, and established its position as a leading multinational pharmaceutical company in China and a significant contributor to China's healthcare system. Dr. Wu is widely recognized as an industry opinion leader in China and has actively worked with industry associations and helped to shape and influence the environment to ensure Chinese patients have access to high-quality medicines and vaccines.

Prior to Pfizer, Dr. Wu served as president and managing director of Wyeth China and Hong Kong from 2004 to 2009. Before joining Wyeth, Dr. Wu served as the general manager of Bayer Healthcare in China from 2001 to 2004. He started his career in 1992 in sales and marketing with Bayer in Germany.

Dr. Wu was elected as the vice chairman of the China Pharmaceutical industry Research and Development Association since 2019. He is also a research fellow at the Research Center of National Drug Policy and Ecosystem. Dr. Wu served as the vice chairman of the R&D Based Pharmaceutical Association Committee in China from 2008 to 2018. In addition to his duties in industrial associations, Dr. Wu is frequently awarded with industry awards, including being voted as "Person of the Year" in Healthy China Award 2017 and having won the award of "2017 Top 10 Most Influential Person in Chinese Healthcare Industry" and the "2017 Social Responsibility Eminent Person Award."

Dr. Wu obtained a Doctor of Philosophy in biochemistry and pharmacology in April 1993 and a Master's Degree in molecular biology in January 1990 from the University of Konstanz in Germany.

Mr. LIAO Xiang, aged 59, was appointed as an independent non-executive Director on April 19, 2021 with effect from September 26, 2021. He is primarily responsible for supervising and providing independent judgement to the Board.

In addition to his position in the Company, Mr. Liao has served as the chief executive officer of NovaStream Biotech Co., Ltd. (北京欣生禾生物科技有限公司) since March 2012. From January 2008 to January 2012, he worked for Novartis Vaccines. From May 1992 to December 2007, he worked for Sanofi Pasteur, a biotechnology company, where he served various positions with the last one being a corporate development director.

Mr. Liao obtained a Bachelor's Degree in medicine from West China University of Medical Sciences (華西醫科大學) in July 1987 in China and a Master's Degree in biochemistry from the University of Scranton in August 1992 in the U.S. He obtained a Master of Business Administration from Columbia University in October 2003 in the U.S.

Mr. Jeffrey FARROW, aged 62, was appointed as an independent non-executive Director on April 19, 2021 with effect from September 26, 2021. He is primarily responsible for supervising and providing independent judgement to the Board.

In addition to his position in the Company, Mr. Jeffrey FARROW has been appointed as the chief financial officer and chief strategy officer of Tarsus Pharmaceuticals, Inc., a company whose shares are listed on the NASDAQ (ticker symbol: TARS) with effect from April 24, 2023. Mr. Farrow also served as the chief financial officer of Global Blood Therapeutics, Inc., a company whose shares are listed on the NASDAQ (ticker symbol: GBT) by December 2022. From June 2015 to March 2016, he worked for ZS Pharma, Inc., a biotechnology company, as its chief financial officer. From November 2009 to May 2015, he first worked as the vice president of finance and then the chief financial officer of Hyperion Therapeutics, Inc. From May 2008 to December 2009, he served as the vice president of finance of Evotec, a biotechnology company listed on Frankfurt Stock Exchange (ticker symbol: EVT), where he was mainly responsible for US finance operations and SEC filings. From January 2004 to July 2007, he first worked as the senior director of finance and then the vice president of finance and chief accounting officer at Renovis, Inc. (a company acquired by Evotec in 2008). From July 1996 to January 2004, he worked for KPMG with his last position being a senior manager.

Mr. Farrow obtained a Bachelor's Degree in business administration with a concentration in finance from California State University of Fullerton in June 1993 in the U.S. Mr. Farrow obtained the Certified Public Accountant license from California Board of Accountancy in May 2002 in the U.S.

Mr. Thomas LEGGETT, aged 47, was appointed as an independent non-executive Director on April 19, 2021 with effect from September 26, 2021. He is primarily responsible for supervising and providing independent judgement to the Board.

In addition to his position at the Company, Mr. Leggett also serves as the chief financial officer of Affinia Therapeutics, Inc., a private biotechnology company. Prior to his current role, Mr. Leggett served as the chief financial officer of Black Diamond Therapeutics, Inc., a company whose shares are listed on the NASDAQ (ticker symbol: BDTX) from September 2019 to December 2021. Prior to Black Diamond, he worked for a NASDAQ listed company, Axcella Health, Inc. (ticker symbol: AXLA) as its chief financial officer from January 2017 to August 2019. Starting in May 2015, he worked as the treasurer and head of business development finance of Purdue Pharma L.P., a pharmaceuticals company. From November 2009 to May 2015, Mr. Leggett first served as a director and then an executive director of UBS Securities, where he was mainly responsible for providing corporate finance and strategic advisory services to life sciences clients. From January 2007, he worked at Lazard Freres & Co., an investment bank. From August 2004 to January 2007, he worked for J.P. Morgan Securities as an associate. Mr. Leggett obtained a Bachelor's Degree in economics from Columbia University in May 1999 and a Master of Business Administration from the Wharton School of the University of Pennsylvania in May 2004 in the U.S.

SENIOR MANAGEMENT

Mr. LIANG Joshua G, aged 32, was appointed as the chief executive officer on December 25, 2020. Please see the section headed "Executive Directors" above for details of his biography.

Dr. LIANG Peng, aged 63, has been the chief scientific officer since the incorporation of the Company on October 31, 2018. Please see the section headed "Executive Directors" above for details of his biography.

OTHER MANAGEMENT

Dr. Nicholas JACKSON, aged 53, was appointed as the president of global R&D in February 2022. He is responsible for leading the R&D organization to further the Company's mission of harnessing transformative science and global partnerships to bring innovative vaccines and to populations worldwide.

Dr. Jackson has spent over 20 years in R&D of vaccine and immunotherapeutic, leading multiple successful global programs in bacterial, viral and non-infectious disease targets. Prior to joining our Group, Dr. Jackson was the head of vaccine programs and technology for R&D at CEPI and the managing director of CEPI's China office in Shanghai. Prior to his work at CEPI, Dr. Jackson was vice president, head of global research for Sanofi Pasteur, responsible for leading vaccine research and early development activities globally. Before Sanofi Pasteur, Dr. Jackson held vaccine development and immunotherapeutic roles at Pfizer, IAVI and GlaxoSmithKline, where he oversaw R&D programs, global clinical trials and collaborations.

Dr. Jackson holds a Bachelor of Science degree from Oxford Brookes University, a Master of Science from the London School of Hygiene & Tropical Medicine, and a Doctor of Philosophy from the University of Warwick in the field of viral immunology.

Mr. LiongHo CHUA, aged 60, was appointed as the president of Greater China in April 2022. He is responsible for establishing the Company's commercial infrastructure and driving the commercialization of the Company's COVID-19 and seasonal influenza vaccines in China.

Prior to joining the Group, Mr. Chua served as the executive president and chief strategy officer for AIM Vaccine. Before AIM Vaccine, he held the position of country manager for Sandoz China, a leader in generic and biosimilar pharmaceuticals, where he successfully implemented a market access strategy for its portfolio of products. Prior to Sandoz, he was the vice president and general manager, Asia commercial operations for Gilead Sciences, Inc. where he was instrumental in launching their Hepatitis C, Hepatitis B, and HIV antiviral drugs across Asia. Earlier in his career, Mr. Chua was the general manager for Sanofi Pasteur China. He has also held roles with MSD (Merck), Philips Medical Systems, Baxter Healthcare in China and Fresenius AG in Singapore.

Mr. Chua is a registered pharmacist and holds a Bachelor of Science in Pharmacy from the National University of Singapore. Before starting his commercial career at Fresenius AG, Mr. Chua was a practicing clinical pharmacist.

JOINT COMPANY SECRETARIES

Ms. WANG Xiaoyan (王曉艷), aged 43, was appointed as one of the Company's joint company secretaries (the "**Joint Company Secretary(ies)**") on March 31, 2023.

Prior to joining the Company in April 2022, Ms. Wang served as the general counsel at AIM Vaccine Co., Ltd., a company whose shares are listed on the Stock Exchange (stock code: 6660), from April 2020 to April 2022. From September 2012 to March 2020, Ms. Wang served as the legal director at Shenzhen Sanofi Pasteur Biological Products Co., Ltd. (深圳賽諾菲巴斯德生物製品有限公司), a company primarily engaged in research, development and sales of vaccine. From January 2007 to August 2012, Ms. Wang served as the senior legal counsel at Sanofi (China) Investment Co., Ltd. (賽諾菲(中國)投資有限公司). From April 2004 to December 2006, Ms. Wang served as a legal counsel at Aurora (China) Investment Co., Ltd. (震旦(中國)投資有限公司).

Ms. Wang obtained a Bachelor of Law Degree from Dalian Maritime University (大連海事大學) in July 2002, Masters of Law Degrees from University College London and Renmin University of China (中國人民大學) in November 2003 and September 2016, respectively, and an Executive Master of Business Administration Degree from China Europe International Business School (中歐國際工商學院) in May 2018.

Ms. CHAU Hing Ling (周慶齡), aged 49, was appointed as the Joint Company Secretary of the Company on December 22, 2021. Ms. CHAU is currently an executive director of corporate services of Vistra Corporate Services (HK) Limited. She has over 20 years of experience in the corporate services industry. She is currently the company secretary/joint company secretary of certain listed companies.

Ms. Chau obtained a master of laws majoring in corporate and financial law from The University of Hong Kong in November 2007. She has been a fellow member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and a fellow member of The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in United Kingdom since May 2013.

CHANGES TO DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Director of the Company since the publication date of the Company's interim report for 2023, are set out below:

Mr. LIANG Joshua G has been appointed as a director of UK Clover since January 2024.

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.

REPORT OF THE DIRECTORS

The Board is pleased to present this report of the Directors together with the consolidated financial statements of the Group for the year ended December 31, 2023.

BOARD OF DIRECTORS

There are currently two executive Directors, three non-executive Directors and four independent non-executive Directors on the Board.

During the year ended December 31, 2023 and as of the Latest Practicable Date, the Directors were:

Executive Directors

Dr. LIANG Peng *(Chairman of the Board)*
Mr. LIANG Joshua G

Non-executive Directors

Dr. WANG Xiaodong
Dr. Donna Marie AMBROSINO
Dr. Ralf Leo CLEMENS

Independent Non-executive Directors

Dr. WU Xiaobin
Mr. LIAO Xiang
Mr. Jeffrey FARROW
Mr. Thomas LEGGETT

GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on October 31, 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 November 5, 2021.

PRINCIPAL ACTIVITIES

We are a global commercial-stage biotechnology company committed to unleashing the power of innovative vaccines to save lives and improve health around the world. We leverage the Trimer-Tag technology platform to conduct R&D for innovative vaccines that can fulfill unmet need, with a focus on building a respiratory vaccine franchise and establishing a presence in the pediatric vaccine market.

For further details of the Company's principal activities, please see the section headed "Business Review" under "Management Discussion and Analysis" of this annual report.

During the Reporting Period, we initiated to transform into a commercial-stage company, with relevant capabilities in commercial production, distribution and sale of vaccines.

BUSINESS REVIEW AND RESULTS

A review of the business and future prospects of the Group during the Reporting Period is provided in the section headed "Business Review" under "Management Discussion and Analysis" of this annual report. An analysis of the Group's financial performance during the Reporting Period is provided in the section headed "Financial Review" under "Management Discussion and Analysis" of this annual report.

The results of the Group for the Reporting Period are set out in the consolidated financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

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

- If we are unable to successfully complete clinical development, obtain regulatory approval and commercialize the Group's product candidates, or experience significant delays in doing so, our business will be significantly harmed;

- If the Group encounters encounter difficulties enrolling patients or participants in our clinical trials, our clinical development activities could be delayed and result in increased costs and longer development periods or otherwise adversely affected;

- If clinical trials of product 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 product candidates;

- Clinical development involves a lengthy and expensive process with an uncertain outcome, and results of earlier studies and trials may not be predictive of future trial results;

- The regulatory approval processes of regulatory authorities of national and multilateral institutions are lengthy, time-consuming and inherently unpredictable. If the Group is ultimately unable to obtain regulatory approval for product candidates, our business will be substantially harmed;

- The Group is at risk of governmental actions that are detrimental to the business, such as product seizure, resumed price controls and additional regulations imposed on our SCB-2019 (CpG 1018/Alum);

- The Group's rights to develop and commercialize our Trimer-Tag pipeline products are subject, in part, to the terms and conditions of licenses granted to us by the Group's licensor GenHunter;

- If the Group is unable to maintain sufficient distribution, marketing, and sales capabilities, the Group may not be able to generate product sales revenues;

- The regulatory pathway for COVID-19 vaccines is highly dynamic and continues to evolve and may result in unexpected or unforeseen delays or challenges;

- The manufacture of biologics is a complex process which requires significant expertise and capital investment, and if the Group encounters problems in manufacturing our future products, the business could suffer;

- If the Group is unable to obtain and maintain patent protection for our product candidates or the Trimer-Tag technology platform, or if the scope of such intellectual property rights obtained is not sufficiently broad, third parties could develop and commercialize products and technologies similar or identical to ours and compete directly against the Group, and its ability to successfully commercialize any product or technology may be adversely affected;

- the Group engages CROs to conduct certain elements of its pre-clinical studies and clinical trials. If these third parties do not successfully carry out their contractual duties, meet expected deadlines, or comply with regulatory requirements, the Group may not be able to obtain regulatory approval for or commercialize product candidates and its business could be substantially harmed; and

- the Group has entered into collaborations and may form or seek collaborations or strategic alliances or enter into licensing arrangements in the future, and the Group may not realize the benefits of such alliances or licensing arrangements.

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

Our corporate vision and mission are intricately linked with social responsibility in promoting sustainability and protecting the environment.

We are subject to and comply with the environmental protection and occupational health and safety laws and regulations in China. During the Reporting Period, we did not have any incidents or complaints which had a material and adverse effect on our business, financial condition or results of operations. Besides China, we also have limited R&D and business operations overseas. Regardless of the scale of our operations, we make every effort to ensure that we are compliant with all local laws and regulations in the jurisdictions where we operate.

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, 2023 and up to the Latest Practicable Date, 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, 2023, the Group had 387 employees.

The number of employees of the Group varies from time to time depending on need. The remuneration package of the Group's employees includes salary, bonus and equity incentives, which is generally determined by their qualifications, industry experience, position and performance. The Company makes contributions to social insurance and housing provident funds in accordance with relevant laws and regulations.

The Company also has adopted the Pre-IPO Share Option Plan, the RSU Scheme and the Post-IPO Share Option Plan to provide rewards or incentives to eligible participants for their contribution or potential contribution to the Group. Please refer to the sections headed "Pre-IPO Share Option Plan", "RSU Scheme" and "Post-IPO Share Option Plan" in this annual report for further details.

The total remuneration cost incurred by the Group for the year ended December 31, 2023 was RMB390.3 million.

For the year ended December 31, 2023, the Group did not experience any material labor disputes or strikes that may have a material adverse effect on the Group's business, financial condition or results of operations, or any difficulty in recruiting employees.

MAJOR SUPPLIERS

During the Reporting Period, the Group's suppliers primarily consisted of suppliers of CROs and CDMOs, raw materials and consumables, vaccine products, and equipment and devices.

For the year ended December 31, 2023, purchases from the Group's five largest suppliers accounted for approximately 62.9% (2022: 68.4%) of the Group's total purchase amount in the same year. Purchases from the Group's largest supplier for the year ended December 31, 2023 accounted for approximately 35.8% (2022: 50.2%) of the Group's total purchase amount for the same year.

None of the Directors, their respective close associates, or any Shareholders 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, 2023, the Group did not experience any significant disputes with its suppliers.

MAJOR CUSTOMERS

For the year ended December 31, 2023, the Group's five largest customers and the Group's largest customer accounted for approximately 99.99% and 99.98%, respectively, of the Group's total revenue from the sales of vaccine products (2022: nil).

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

For the year ended December 31, 2023, the Group did not experience any significant disputes with its customers.

KEY RELATIONSHIP WITH STAKEHOLDERS

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

Relationship with Employees

The Group endeavors to cultivate talented and loyal employees by treating our employees with dignity, respect and fairness. The Group conducts new employee training, as well as professional and compliance training programs for employees. It enters into employment contracts with its employees to cover matters such as wages, benefits and grounds for termination. The remuneration package of its employees usually includes salary, bonus and equity incentives, which are generally determined by their qualifications, industry experience, position and performance. The Group makes contributions to social insurance and housing provident funds in accordance with relevant laws and regulations.

Relationship with Shareholders

The Group recognizes the importance of protecting the interests of the Shareholders and of having effective communication with them. The Group believes that communication with the Shareholders is a two-way process and strives 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, interim and annual reports and results announcements.

Relationship with Suppliers

The Group selects its suppliers by considering their product quality, industry reputation and compliance with relevant regulations and industry standards. The Group has maintained strict control over the quality of services offered by its suppliers. The Group understands the importance of maintaining a good relationship with its suppliers to meet its immediate and long-term goals. It strives to cultivate a mutually beneficial and trusting relationship with its suppliers so that they are able to deliver services of the highest standard in an efficient manner.

Relationship with Customers

The Group holds a deep commitment to building and nurturing customer relationships in achieving both immediate and long-term goals. It recognizes that the satisfaction of its customers is of utmost importance and, therefore, endeavors to foster positive and mutually beneficial connections with its customers. By upholding stringent quality control measures, the Group aims to facilitate the delivery of exceptional products of superior quality and compliant with relevant regulations and industry standards to customers in the most efficient manner as possible.

Further details are set out in the section headed "Environmental, Social and Governance Report" of this annual report.

FINANCIAL SUMMARY

A summary of the consolidated operating results and the assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements, is set out in the section headed "Five-Year Financial Summary" 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 1 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group for the year ended December 31, 2023 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, 2023 and details of the Shares issued for the year ended December 31, 2023 are set out in Note 29 to the consolidated financial statements.

DEBENTURE ISSUED

The Group did not issue any debenture for the year ended December 31, 2023.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report, no equity-linked agreements were entered into by the Group for the year ended December 31, 2023.

DIVIDENDS

The Board did not recommend the distribution of a final dividend for the year ended December 31, 2023.

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, 2023. 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, 2023, the Company's reserves available for distribution from share premium less accumulated losses, calculated in accordance with the provisions of the Companies Act, amounted to approximately RMB1,579.7 million (2022: RMB4,183.4 million).

Details of movements in the reserves of the Group and the Company during the year ended December 31, 2023 are set out in the section headed "Consolidated Statement of Changes in Equity" and Note 40 to the consolidated financial statements.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans of the Group as at December 31, 2023 are set out in the section headed "Management Discussion and Analysis" in this annual report and Note 25 to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

Each of our executive Directors has entered into a service contract with the Company on September 26, 2021. The initial term of the service contracts shall commence from the date of his appointment and continue for a period of three years after or until the third annual general meeting of the Company from the Listing Date, whichever is earlier, and shall be automatically renewed for successive periods of three years, until otherwise terminated.

Dr. WANG Xiaodong, being a non-executive Director, has entered into an appointment letter with our Company on September 26, 2021. The initial term for the appointment letter shall commence from the date of appointment and continue for a period of three years after or until the third annual general meeting of the Company since the Listing Date, whichever is earlier, and shall be automatically renewed for successive periods of three years, until otherwise terminated.

Dr. Donna Marie AMBROSINO and Dr. Ralf Leo CLEMENS, each being a non-executive Director, entered into an appointment letter with the Company on June 17, 2022. The initial term for the appointment letter shall commence from the date of his/her appointment and continue for a period of three years.

Each of our independent non-executive Directors has entered into an appointment letter with the Company on September 26, 2021. The initial term for the appointment letters shall commence from the date of his appointment and continue for a period of three years after or until the third annual general meeting of the Company since the Listing Date, whichever is earlier, and shall be automatically renewed for successive periods of three years, until otherwise terminated.

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

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 section headed "Connected Transactions" below, 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, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended December 31, 2023.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors had any interest in any business which competes with or is likely to compete with the businesses of the Group for the year ended December 31, 2023.

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, 2023.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

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

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, 2023, the interests and short positions of the Directors or chief executives of the 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:

Name of Director or Chief Executive	Nature of Interest	Number of Shares/ Underlying Shares Held (Long position)	Approximate Percentage of Shareholding Interest[6]
Dr. LIANG Peng	Beneficial owner	209,552,329	16.17%
	Beneficial owner[1]	1,865,595	0.14%
	Interest of a party to an agreement[2]	20,244,923	1.56%
	Interest of a party to an agreement[3]	55,700,000	4.30%
Mr. LIANG Joshua G	Beneficial owner	20,244,923	1.56%
	Beneficial owner[4]	10,395,944	0.80%
	Interest of a party to an agreement[2]	209,552,329	16.17%
Dr. WANG Xiaodong	Beneficial owner[5]	808,750	0.06%
	Beneficial owner	28,251,750	2.18%
Dr. WU Xiaobin	Beneficial owner[5]	808,750	0.06%
	Beneficial owner	251,750	0.02%
Mr. LIAO Xiang	Beneficial owner[5]	808,750	0.06%
	Beneficial owner	251,750	0.02%
Mr. Jeffrey FARROW	Beneficial owner[5]	808,750	0.06%
	Beneficial owner	251,750	0.02%
Mr. Thomas LEGGETT	Beneficial owner[5]	808,750	0.06%
	Beneficial owner	251,750	0.02%
Dr. Ralf Leo CLEMENS	Beneficial owner[5]	1,008,347	0.08%
	Beneficial owner	569,124	0.04%
Dr. Donna Marie AMBROSINO	Beneficial owner[5]	772,692	0.06%
	Beneficial owner	97,604	0.008%

Notes:

(1) Referring to the Shares underlying the RSUs and options granted to Dr. Liang under the RSU Scheme and the Post-IPO Share Option as of December 31, 2023.

(2) Pursuant to the Acting-in-concert Deed, Dr. Liang and Mr. Joshua Liang agreed to act in concert by aligning their votes at Shareholders' meetings of the Company. Therefore, they were deemed to be jointly interested in the aggregate number of Shares held by each other.

(3) Pursuant to the voting proxy agreements entered into on March 16, 2021 by each of Dr. WANG Xiaodong, Mr. ZHU Jianwei, Mr. JIANG Pu and Mr. PING Zheng (the "**Grantors**") and Dr. Liang, respectively, each of the Grantors granted the voting right of the then shares of the Company held by them to Dr. Liang. Therefore, Dr. Liang was deemed to be interested in the then shares of the Company held by the Grantors under the SFO.

(4) Referring to the Shares underlying the RSUs and options granted to Mr. Joshua Liang under the RSU Scheme and the Post-IPO Share Option as of December 31, 2023.

(5) Referring to the Shares underlying the RSUs and options granted to each of these Directors under the RSU Scheme and Post-IPO Share Option as of December 31, 2023.

(6) Calculated based on 1,296,289,733 total issued Shares of these Company as of December 31, 2023.

Save as disclosed above, as of December 31, 2023, none of the Directors or chief executives of the Company or 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, 2023, 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 the provisions of Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of the Company or any other members of the Group:

Long Positions in the Shares of the Company

Name of Substantial Shareholder	Nature of interest	Shares/Underlying Shares Held as of December 31, 2023	
		Number of Shares	Approximate percentage[4]
JNRY[1]	Beneficial owner	91,217,442	7.04%
AUT-XXI[1]	Beneficial owner	66,375,987	5.12%
Shanghai Tianhe[2]	Beneficial owner	69,999,500	5.40%
Ms. Wang Shibi[2]	Interest in controlled corporation	90,589,500	6.99%
Lapam Fund IV[3]	Beneficial owner	49,213,878	3.80%
Lapam Fund III[3]	Beneficial owner	35,152,768	2.71%

Notes:

(1) AUT-XXI Hong Kong Holdings Limited ("**AUT-XXI**") is wholly owned by AUT-XXI Holdings Limited ("**AUT Holding**"). The sole shareholder of AUT Holding is HH IMV Holdings, L.P. ("**HH IMV**"). The sole limited partner of HH IMV is Hillhouse Fund IV, L.P. ("**Hillhouse Fund**"), which is managed and controlled by Hillhouse Investment Management, Ltd. ("**Hillhouse Investment**"). Therefore, each of AUT Holding, HH IMV, Hillhouse Fund, Hillhouse Investment and HH IMV Holdings GP, Ltd. was deemed to be interested in the Shares held by AUT-XXI under the SFO.

JNRY V Holdings Limited ("**JNRY**") is ultimately managed and controlled by Hillhouse Investment. Therefore, each of Hillhouse Investment and HH IMV Holdings GP, Ltd. was deemed to be interested in the Shares held by JNRY under the SFO.

(2) Chengdu Tianhe Conventional Chinese and Medicine Technology Nurture Co., Ltd. (成都天河中西醫科技保育有限公司) ("**Chengdu Tianhe**") is a limited partner and holds 99% of the equity interest in Shanghai Tianhe Shengtai Enterprise Management Partnership (Limited Partnership) (上海天合生泰企業管理合夥企業(有限合夥)) ("**Shanghai Tianhe**"). Chengdu Tianhe was controlled by Ms. WANG Shibi and Ms. CHENG Xinxin, Ms. WANG Shibi's daughter, as to 42% and 58% of the equity interests, respectively. Chengdu Hejisheng Health Technology Co., Ltd. (成都和濟生健康科技有限公司) ("**Chengdu Hejisheng**") is the general partner of Shanghai Tianhe. Chengdu Hejisheng is wholly controlled by (成都標匯檢測技術有限公司) ("**Chengdu Biaohui**"). Chengdu Biaohui is wholly controlled by Chengdu Tianhe. Therefore, each of Chengdu Tianhe, Chengdu Hejisheng, Chengdu Biaohui, Ms. WANG Shibi and Ms. CHENG Xinxin was deemed to be interested in the Shares in which Shanghai Tianhe was interested under the SFO.

Sichuan Tianhe Biomedicine Venture Capital Fund Partnership Enterprise (Limited Partnership) (四川天河生物醫藥產業創業投資基金合夥企業（有限合夥）) ("**Sichuan Tianhe**"), which was beneficially interested in 30,660,000 Shares as of December 31, 2023, is managed by its general partner, Chengdu Ronghui Datong Equity Investment Fund Management Co., Limited (成都融匯大通股權投資基金管理有限公司) ("**Ronghui Datong**"). Ronghui Datong was controlled by Chengdu Tianhe which held 70% equity interests in Ronghui Datong. Therefore, each of Ronghui Datong, Chengdu Tianhe, Ms. WANG Shibi and Ms. CHENG Xinxin was deemed to be interested in the Shares in which Sichuan Tianhe was interested under the SFO.

(3) Beijing Lapam Healthcare Investment Center (Limited Partnership) (北京龍磐健康醫療投資中心(有限合夥)) ("**Lapam Fund III**") is a limited partnership established under the laws of the PRC. The general partner of Lapam Fund III is Tibet Lapam Yijing Chuangye Investment Center (Limited Partnership) (西藏龍磐怡景創業投資中心(有限合夥)) ("**Tibet Yijing**"), which is in turn managed by its general partner, Beijing Lapam Investment Management Consulting Center (General Partnership) (北京龍磐投資管理諮詢中心(普通合夥)) ("**Lapam Investment**"). The general partner of Lapam Investment is Mr. YU Zhihua (余治華). The single largest limited partner of Lapam Investment is Tibet Lapam Management Consulting Center (Limited Partnership) (西藏龍磐管理諮詢中心(有限合夥)) ("**Tibet Lapam Consulting**") which is controlled by Mr. YU Zhihua. Hangzhou Yuhang Lapam Healthcare Equity Investment Fund Partnership Enterprise (Limited Partnership) (杭州余杭龍磐健康醫療股權投資基金合夥企業(有限合夥)) ("**Lapam Fund IV**"), is a limited partnership established under the laws of the PRC. The general partner of Lapam Fund IV is Tibet Lapam Consulting that is controlled by Mr. YU Zhihua. The single largest limited partner of Lapam Fund IV is National Council for Social Security Fund (全國社會保障基金理事會), which is controlled by the State Council of China.

(4) Calculated based on 1,296,289,733 total issued Shares of the Company as of December 31, 2023.

Save as disclosed above, as of December 31, 2023, so far as the Directors are aware, 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 PLAN

The Pre-IPO Share Option Plan was approved and adopted by the resolutions of the Board and the Shareholders dated April 15, 2021.

The following is a summary of the principal terms of the Pre-IPO Share Option Plan.

(a) Purpose of the Pre-IPO Share Option Plan

The purpose of the Pre-IPO Share Option Plan is to enable the Company to grant options to eligible participants as incentives or rewards for their contribution or potential contribution to the Group.

(b) Who May Join

Eligible participants include:

(i) any full-time employees of the Group or any of the company in which the Company or any subsidiary has any equity interest (the "**Invested Entity**");

(ii) any non-executive directors of the Group or any of the Invested Entities but excluding any independent non-executive directors;

(iii) consultants and advisors, provided that such consultants and advisors render bona fide services and that such services are not in connection with the offer and sale of securities in a capital-raising transaction; and

(iv) general partners.

The options under this Pre-IPO Share Option Plan can be granted to any company wholly owned by one or more eligible participants, or any discretionary trust where any eligible participant is a discretionary object.

(c) Maximum Number of Shares Available for Subscription

The maximum number of Shares in respect of which options may be granted under the Pre-IPO Share Option Plan is 25,947,096 Shares (the "**Plan Limit**"). Option lapsed and/or canceled in accordance with the terms of this plan shall not be counted for the purpose of calculating the Plan Limit, and the number of Shares in respect of which options may be granted under this plan shall be increased by the same number of options lapsed and/or canceled.

Under the Pre-IPO Share Option Plan, there is no specific limit on the maximum number of options which may be granted to a single Eligible participant.

(d) Exercise Price

The exercise price in relation to each option offered to an eligible participant shall, subject to the adjustments as a result of capital restructuring in accordance with the Prospectus, be a price that is set out in the offer notice representing not less than the par value of a Share.

(e) Duration of the Pre-IPO Share Option Plan

The Pre-IPO Share Option Plan shall be valid and effective for a period commencing on the date of its adoption and ending immediately prior to the Listing Date (both dates inclusive). No further options shall be granted under this plan after the Listing Date but the provisions of this Plan shall in all other respects remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of this plan and options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with this plan.

(f) Outstanding Options

No options under the Pre-IPO Share Option Plan were granted after the Listing Date. The exercise period of the options granted is ten years commencing from the date upon which the options are deemed to be granted and accepted pursuant to the terms of the Pre-IPO Share Option Plan. The table below shows details of the outstanding share options granted to all grantees under the Pre-IPO Share Option Plan as of December 31, 2023.

Name	Date of Grant	Exercise Price	Number of Shares underlying the outstanding options as of January 1, 2023	Number of options granted during the Reporting Period	Exercise Date	Number of options exercised during the Reporting Period	Number of options lapsed during the Reporting Period	Number of options canceled during the Reporting Period	Number of Shares underlying the outstanding options as of December 31, 2023	Approximate percentage of the Shares underlying the outstanding options[2]	Weighted average closing price of the Shares immediately before the dates on which the options exercised
Mr. JIANG Yuting (江宇霆)[1]	August 6, 2021	USD 0.001	5,500	–	August 24, 2023	1,500	–	–	4,000	0.0003%	HKD1.33
Employees	Between April 18, 2021 to October 11, 2021	USD 0.001	7,634,372	–	Between January 3, 2023 and December 26, 2023	3,653,000	1,075,359	–	2,906,013	0.22%	HKD1.35
Total			7,639,872	–		3,654,500	1,075,359	–	2,910,013	0.22%	HKD1.35

Notes:

(1) Mr. JIANG Yuting is the nephew of Dr. Liang, our executive Director, and therefore a connected person.

(2) Calculated based on 1,296,289,733 total issued Shares of the Company as of December 31, 2023.

As at the date of this annual report, a total of 1,929,317 shares may be issued under the Pre-IPO Share Option Plan, representing 0.15% of the total issued shares of the Company.

Further details of the Pre-IPO Share Option Plan are set out in the Prospectus.

RSU SCHEME

The RSU Scheme was approved and adopted by the resolutions of the Board and the Shareholders dated April 15, 2021 and amended on September 26, 2021, and is subject to certain applicable requirements under Chapter 17 of the Listing Rules. As disclosed in the announcement of the Company dated April 2, 2024, the RSU Scheme will be funded solely by the existing Shares and will not be funded by any new Shares.

(a) Purpose of the RSU Scheme

The purpose of the RSU Scheme is to enable the Company to grant RSUs to eligible participants as incentives or rewards for their contribution or potential contribution to the Group.

(b) Who May Join

Eligible participants (the "**Eligible Participants**") means any person belonging to any of the following classes of persons:

(i) Any full-time employees of the Group or any of the company in which the Company or any subsidiary has any equity interest (the "**Invested Entity**");

(ii) any non-executive directors of the Group or any of the Invested Entities;

(iii) consultants and advisors, provided that such consultants and advisors render bona fide services and that such services are not in connection with the offer and sale of securities in a capital-raising transaction; and

(iv) general partners.

The RSUs under this Scheme can be granted to any company wholly owned by one or more Eligible Participants, or any discretionary trust where any Eligible Participant is a discretionary object.

(c) Maximum Number of Underlying Shares

Pursuant to the RSU Scheme, the overall limit on the number of underlying Shares to be granted under the RSU Scheme is 77,350,000 Shares, which represents approximately 5.96% of the total issued share capital of the Company as of the Latest Practicable Date. As of the Latest Practicable Date, the number of Shares available for issue under the RSU Scheme was nil as all Shares underlying the RSUs granted and to be granted under the RSU Scheme have been allotted and issued to the trustee of the RSU Scheme before the Listing Date.

Under the RSU Scheme, there is no specific limit on the maximum number of options which may be granted to a single Eligible participant.

(d) Awards

A grant shall be made to an Eligible Participant by a letter and/or any such notice or document in such form as the Board may from time to time determine (the "**Notice of Grant**") and such grant shall be subject to the terms as specified in this Scheme and the Notice of Grant shall be substantially in the form set out in the RSU Scheme. The Eligible Participant shall undertake to hold the award on the terms on which it is granted and be bound by the provisions of this Scheme and the terms set forth in the Notice of Grant. Such award shall remain open for acceptance by the Eligible Participant to whom a grant is made for a period to be determined by the Board, provided that no such grant shall be open for acceptance after the expiry of the Term or after this Scheme has been terminated in accordance with the provisions hereof. To the extent that the award is not accepted within the period determined by the Board, it will be deemed to have been irrevocably declined and shall immediately lapse.

If the Eligible Participant accepts the offer of grant of RSUs, he/she is required to sign a acceptance notice (the "**Acceptance Notice**") and return it to the Company within the period specified and in a manner prescribed in the Notice of Grant. Upon the receipt from the Eligible Participant of a duly executed Acceptance Notice, the RSUs are granted to such Eligible Participant, who becomes a grantee in this Scheme.

The Board shall, after any RSUs have been granted and duly accepted by the Eligible Participant(s), inform the trustee (the "**Trustee**") of the name(s) of the Eligible Participant(s), the number of RSUs and the number of underlying Shares that can be acquired by each Eligible Participant upon exercise of the RSUs granted to each such Eligible Participant, the vesting schedule of RSUs (if any) and other terms and conditions (if any) that RSUs are subject to as determined by the Board.

The RSUs will be granted to the Eligible Participant(s) at nil consideration.

(e) Vesting Period

Unless otherwise provided hereof, the RSUs granted under this Scheme shall be vested to grantees in the manner set forth in the Notice of Grant (unless otherwise agreed by the Board in writing, in no event can any RSU granted be vested earlier than the day after the first half-year anniversary of the Listing Date).

Upon fulfillment or waiver of the vesting period and vesting conditions (if any) applicable to each of the grantees, a vesting notice (the "**Vesting Notice**") will be sent to the grantee by the Board confirming (a) the extent to which the vesting period and vesting conditions (if any) have been fulfilled or waived and, (b) the number of Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of these Shares) or the amount of cash the grantee will receive.

RSUs held by a grantee that are vested as evidenced by the Vesting Notice may be exercised (in whole or in part) by the grantee serving an exercise notice (the "**Exercise Notice**") in writing on the Trustee and copied to the Company. Any exercise of RSUs must be in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof (except where the number of Shares underlying the RSUs which remains unexercised is less than one board lot). In an Exercise Notice, the grantee shall, subject to the paragraph below, request the Trustee to, and the Board shall direct and procure the Trustee to within five (5) business days, transfer the Shares underlying the RSUs exercised (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) to the grantee which the Company has allotted and issued to the Trustee as fully paid up Shares or which the Trustee has either acquired by purchasing existing Shares or by receiving existing Shares from any Shareholder of the Company, subject to the grantee paying all tax, stamp duty, levies and charges applicable to such transfer to the Trustee or as the Trustee directs.

The grantee acknowledges that, at least three months in advance of the vesting of any installment of the RSUs held by him, the Company will instruct the Trustee to, promptly after such RSUs vest, sell certain number of Shares (being in a board lot or an integral multiple thereof except where the number of Shares underlying the RSUs which remains unexercised is less than one board lot) underlying such RSUs and Shares that have been vested but not yet transferred by the Trustee to him on the open market following the trading method designated by the grantee.

(f) Duration of the RSU Scheme

The RSU Scheme shall be valid and effective commencing on the date of passing the resolutions of the Board and the Shareholders and shall remain in effect for a period of 10 years from such date which may be refreshed from time to time in the sole discretion of the Board (the "**Term**"), after which period no further awards will be granted, but the provisions of this Scheme shall in all other respects remain in full force and effect and awards that are granted during the Term may continue to be exercisable in accordance with their terms of issue. The RSU Scheme was approved and adopted by the resolutions of the Board and the Shareholders dated April 15, 2021 and amended on September 26, 2021. Accordingly, the remaining life of the RSU Scheme is approximately 7.4 years as of the Latest Practicable Date.

(g) Outstanding RSUs

As of December 31, 2023, 63 grantees were granted with RSUs with a total of 13,466,064 underlying Shares under the RSU Scheme. The table below shows the details of the outstanding RSUs granted to all grantees under the RSU Scheme as of December 31, 2023.

Name	Position	Date of Grant	Vesting Period	Number of Shares underlying the outstanding RSUs as of January 1, 2023	Number of RSUs granted during the Reporting Period	Vesting Date	Number of RSUs vested during the Reporting Period	Number of RSUs lapsed during the Reporting Period	Number of RSUs canceled during the Reporting Period	Number of Shares underlying the outstanding RSUs as of December 31, 2023	Approximate percentage of the Shares underlying the outstanding RSUs[1]	Weighted average closing price of the Shares immediately before the dates on which the RSUs vested
Directors												
Mr. LIANG Joshua G	Executive Director and chief executive officer	April 18, 2021	Note (2) and Note (13)	2,123,254	–	January 15, 2023 and October 15, 2023	758,310	–	–	1,364,944	0.11%	HKD1.37
Dr. LIANG Peng	Executive Director and chief scientific officer	April 18, 2021	Note (2) and Note (13)	1,213,303	–	January 15, 2023 and October 15, 2023	433,300	–	–	780,003	0.06%	HKD1.37
		March 31, 2022	Note (3) and Note (13)	137,916	–	Between March 31, 2023 and December 31, 2023	44,824	–	–	93,092	0.007%	HKD1.03
Dr. WANG Xiaodong	Non-executive Director	October 11, 2021	Note (4)	312,375	–	September 26, 2023	104,125	–	–	208,250	0.02%	HKD0.81
		March 31, 2022	Note (5)	43,500	–	March 31, 2023	43,500	–	–	–	0.00%	HKD1.66
		April 11, 2023	Note (6)	–	49,000	–	–	–	–	49,000	0.004%	–
Dr. WU Xiaobin	Independent non-executive Director	October 11, 2021	Note (4)	312,375	–	September 26, 2023	104,125	–	–	208,250	0.02%	HKD0.81
		March 31, 2022	Note (5)	43,500	–	March 31, 2023	43,500	–	–	–	0.00%	HKD1.66
		April 11, 2023	Note (6)	–	49,000	–	–	–	–	49,000	0.004%	–
Mr. LIAO Xiang	Independent non-executive Director	October 11, 2021	Note (4)	312,375	–	September 26, 2023	104,125	–	–	208,250	0.02%	HKD0.81
		March 31, 2022	Note (5)	43,500	–	March 31, 2023	43,500	–	–	–	0.00%	HKD1.66
		April 11, 2023	Note (6)	–	49,000	–	–	–	–	49,000	0.004%	–

Name	Position	Date of Grant	Vesting Period	Number of Shares underlying the outstanding RSUs as of January 1, 2023	Number of RSUs granted during the Reporting Period	Vesting Date	Number of RSUs vested during the Reporting Period	Number of RSUs lapsed during the Reporting Period	Number of RSUs canceled during the Reporting Period	Number of Shares underlying the outstanding RSUs as of December 31, 2023	Approximate percentage of the Shares underlying the outstanding RSUs[1]	Weighted average closing price of the Shares immediately before the dates on which the RSUs vested
Mr. Jeffrey FARROW	Independent non-executive Director	October 11, 2021	Note (4)	312,375	–	September 26, 2023	104,125	–	–	208,250	0.02%	HKD0.81
		March 31, 2022	Note (5)	43,500	–	March 31, 2023	43,500	–	–	–	0.00%	HKD1.66
		April 11, 2023	Note (6)	–	49,000	–	–	–	–	49,000	0.004%	–
Mr. Thomas LEGGETT	Independent non-executive Director	October 11, 2021	Note (4)	312,375	–	September 26, 2023	104,125	–	–	208,250	0.02%	HKD0.81
		March 31, 2022	Note (5)	43,500	–	March 31, 2023	43,500	–	–	–	0.00%	HKD1.66
		April 11, 2023	Note (6)	–	49,000	–	–	–	–	49,000	0.004%	–
Dr. Ralf Leo CLEMENS	Non-executive Director	April 18, 2021	Note (3)	485,331	–	Between January 15, 2023 and December 15, 2023	207,984	–	–	277,347	0.02%	HKD1.45
		July 19, 2022	Note (7)	58,000	–	June 15, 2023	14,500	–	–	43,500	0.003%	HKD1.02
		April 11, 2023	Note (6)	–	49,000	–	–	–	–	49,000	0.004%	–
Dr. Donna Marie AMBROSINO	Non-executive Director	April 18, 2021	Note (3)	72,856	–	Between January 15, 2023 and December 15, 2023	31,164	–	–	41,692	0.003%	HKD1.45
		July 19, 2022	Note (7)	58,000	–	June 15, 2023	14,500	–	–	43,500	0.003%	HKD1.02
		April 11, 2023	Note (6)	–	49,000	–	–	–	–	49,000	0.004%	–
5 highest paid individuals (excluding Directors)		Between April 18, 2021 and April 11, 2023	Note (3), Note (8), Note (9) or Note (10)	5,408,972	722,500	Between January 3, 2023 and December 12, 2023	2,521,138	–	–	3,610,334	0.28%	HKD1.58
Employees (excluding Directors)		Between April 18, 2021 and Oct 11, 2021	Note (2) or Note (3)	8,296,631	–	Between January 1, 2023 and December 3, 2023	3,034,497	3,412,419	–	1,849,715	0.14%	HKD1.66
		Between May 12, 2022 and April 11, 2023	Note (8), Note (9) or Note (10)	4,077,859	3,922,500	Between January 1, 2023 and December 12, 2023	1,065,318	2,957,354	–	3,977,687	0.31%	HKD1.42
Total				**23,711,497**	**4,988,000[12]**		**8,863,660**	**6,369,773**	**–**	**13,466,064**	**1.04%**	**HKD1.51**

Notes:

(1) Calculated based on 1,296,289,733 total issued Shares of the Company as of December 31, 2023.

(2) 25% of the RSU granted will vest on the 1st anniversary of the vesting commencement date as contemplated in the notice of grant, and forty-eighth (1/48th) of the RSU granted shall vest upon each month after that during a 36-month term. In addition, all the RSU shall only be vested subject to the satisfaction of listing-based condition on the date after the first half year anniversary of the Listing Date.

(3) 100% of the RSUs granted shall vest evenly on a monthly basis within four years from the vesting commencement date as contemplated in the notice of grant, in addition, all the RSU shall only be vested subject to the satisfaction of listing-based condition on the date after the first half-year anniversary of the Listing Date.

(4) 25% of the RSU granted will vest on the 1st anniversary of the vesting commencement date as contemplated in the notice of grant, and 25% of the RSU granted shall vest upon each anniversary after that during a three-year term. In addition, all the RSUs shall only be vested subject to the satisfaction of listing-based condition on the date after the first half-year anniversary of the Listing Date.

(5) 100% of the RSUs granted shall vest on the first anniversary of the date of grant.

(6) Subject to both a service condition (100% of the RSUs will vest on the first anniversary of April 1, 2023) and a performance condition (both the group level performance targets and the individual annual and/or semi-annual performance targets shall be satisfied).

(7) Twenty-five percent (25%) of the RSUs granted shall vest on June 15, 2023 and the rest of the RSUs granted will vest yearly thereafter.

(8) Pursuant to the relevant notice of grant issued to each grantee, the RSUs granted are subject to either of the following vesting schedules: (i) one-forty-eighth (1/48th) of the RSUs granted shall vest on monthly basis with one-year cliff, which means the first 25% will vest on the first anniversary of the first Business Day of the grantee's onboarding month, and the remaining 75% of RSUs granted will vest on monthly basis thereafter; or (ii) one-forty-eighth (1/48th) of the RSUs granted shall vest on monthly basis starting from the date of grant.

(9) Pursuant to the relevant notice of grant issued to each grantee, the RSUs granted are subject to either of the following vesting schedules: (i) Twenty-five percent (25%) of the RSUs granted shall vest on the first anniversary of the first day of the grantee's onboarding month and the rest of the RSUs granted will vest monthly in three years thereafter equally; or (ii) Twenty-five percent (25%) of the RSUs granted shall vest on December 1, 2023 and the rest of the RSUs granted will vest monthly in three years thereafter equally.

(10) Subject to both a service condition (twenty-five percent (25%) of the RSUs will vest on the first anniversary of April 1, 2023, and the remaining seventy-five percent (75%) of the RSUs will vest in six equal installments on a semi-annual basis thereafter) and a performance condition (both the group level performance targets and the individual annual and/or semi-annual performance targets shall be satisfied).

(11) The vesting of the RSUs granted to the RSU grantees will be subject to both the group level performance targets and the individual annual and/or semi-annual performance targets as stipulated in the respective grant letter issued by the Company to each of the RSU grantees. For the group level performance, the Board and management of the Company will assess the performance of the Group for the relevant year, including in particular key performance indicators, such as progress of R&D programs and pipeline, product commercialization performance and the Company's financial conditions. For the individual level performance, the Group has established a standard performance appraisal system for the Directors, senior management and employees to evaluate their performance and contribution to the Group. The Company will determine whether the RSU grantees meet the individual performance targets based on their performance appraisal results for the relevant vesting period. The RSUs will only be vested if the RSU grantees pass their respective performance evaluation in the annual and/or semi-annual assessment (as the case may be) for the corresponding vesting period.

(12) The closing price of the Shares immediately before the date of grant on March 31, 2022, May 12, 2022, July 19, 2022, December 15, 2022 and April 11, 2023 was HK$6.99, HK$3.11, HK$3.62, HK$3.5 and HK$1.65, respectively. The fair values per RSU granted under the RSU Scheme on March 31, 2022, May 12, 2022, July 19, 2022, December 15, 2022 and April 11, 2023 were HK$6.9, HK$2.82, HK$3.64, HK$3.24 and HK$1.82, respectively, which were measured based on the closing price of the Shares at the respective date of grant. The weighted average closing price of the Shares immediately before the dates on which the RSUs were vested during the Reporting Period was HK$1.51. As for the accounting standard and policy adopted, please refer to Note 2.4 and Note 30 to the consolidated financial statements.

(13) On December 16, 2022, The Board resolved to amend the vesting schedule so that the unvested RSUs as of January 31, 2023 shall vest quarterly thereafter equally.

(14) On May 30, 2023, the Board was informed by Dr. Liang and Mr. Joshua Liang that after due and careful considerations, each of Dr. Liang and Mr. Joshua Liang decided not to accept the RSUs granted in the year of 2023.

(15) During the Reporting Period, no RSUs were granted to consultants and advisors and general partners.

On April 11, 2023, the Company granted an aggregate of 4,988,000 RSUs to 105 RSU grantees pursuant to the RSU Scheme, among which a total of 343,000 RSUs were granted to seven Directors. The Remuneration Committee and the Board note that certain vesting dates are less than 12 months from the grant date, and consider such arrangement to be appropriate as the vesting period is only slightly shorter than 12 months due to administrative reasons. The current vesting schedule is consistent with the prior practices and approach of the Company so that the Company can attract, retain, incentivize, reward and remunerate the RSU Grantees and enhance operational efficiency.

The number of RSUs available for grant under the RSU Scheme at the beginning and the end of the Reporting Period are 32,018,833 and 33,400,606, respectively.

POST-IPO SHARE OPTION PLAN

The Post-IPO Share Option Plan was approved and adopted by the resolutions of the Board and the Shareholders dated September 26, 2021, and is subject to the requirements under Chapter 17 of the Listing Rules.

The following is a summary of principal terms of the Post-IPO Share Option Plan.

(a) Purpose of the Post-IPO Share Option Plan

The purpose of the Post-IPO Share Option Plan is to enable the Company to grant options to eligible participants as incentives or rewards for their contribution or potential contribution to the Group.

(b) Who May Join

Eligible participants include:

(i) any full-time employees of the Group or any of the company in which the Company or any subsidiary has any equity interest (the "**Invested Entity**");

(ii) any non-executive directors of the Group or any of the Invested Entities;

(iii) consultants and advisors, provided that such consultants and advisors render bona fide services and that such services are not in connection with the offer and sale of securities in a capital-raising transaction; and

(iv) general partners.

The options under this Post-IPO Share Option Plan can be granted to any company wholly owned by one or more eligible participants, or any discretionary trust where any eligible participant is a discretionary object.

(c) **Maximum Number of Shares Available for Subscription**

At the time of adoption by the Company of the Post-IPO Share Option Plan or any new share option scheme (the "**New Scheme**"), the aggregate number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Plan, the New Scheme and all schemes, which became effective after the Shares were listed on the Stock Exchange, existing at such time (the "**Existing Scheme(s)**") of the Company must not in aggregate exceed 10% of the total number (i.e., 115,811,472) of Shares in issue as of the date the Shares commence trading on the Stock Exchange (i.e., 1,158,114,723) or the date of adoption of the New Scheme (as the case may be) (the "**Scheme Mandate Limit**"). As of the date of the Latest Practicable Date, 115,751,136 Shares are available for issue under the Post-IPO Share Option Plan (i.e. Shares underlying (i) options available for grant and (ii) outstanding options under the Post-IPO Share Option Plan), representing approximately 8.92% of the total number of Shares in issue as of the Latest Practicable Date. For the purposes of calculating the Scheme Mandate Limit, Shares which are the subject matter of any options that have already lapsed in accordance with the terms of the relevant Existing Scheme(s) shall not be counted.

(d) **Maximum Entitlement of Each Eligible Participant**

No option shall be granted to any eligible participants (the "**Relevant Eligible Participants**") if, at the relevant time of grant, the total number of Shares issued and to be issued upon exercise of all options and options under any other share option schemes of the Company (including those options granted and proposed to be granted, whether exercised, canceled or outstanding) to the Relevant Eligible Participants in the 12-month period up to and including the date of such grant would exceed 1% of the total number of shares in issue at such time, within any 12-month period unless approved by the Shareholders in accordance with the Listing Rules.

(e) **Option Period**

Option period (a period within which an option may be exercised) is to be determined and notified by the Board to each grantee during which the option may be exercised, which period shall expire in any event not later than last day of 10-year period after the date of grant of the option (subject to provisions for early termination contained in the Post-IPO Share Option Plan).

(f) **Exercise Price**

The price at which each Share subject to an option may be subscribed for on the exercise of that option (the "**Subscription Price**") shall be a price solely determined by the Board and notified to an eligible participant and shall be at least the highest of:

(i) 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;

(ii) 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

(iii) the nominal value of the Shares.

(g) **Vesting**

The Board may in its absolute discretion specify such conditions as it thinks fit when making an offer to an Eligible Participant (including as to performance criteria and vesting period).

(h) Duration of the Post-IPO Share Option Plan

The Post-IPO Share Option Plan shall be valid and effective for a period of 10 years commencing on the date on which it is adopted by ordinary resolution of the Shareholders in general meeting which is September 26, 2021, after which period, no further options shall be granted. Accordingly, the remaining life of the Post-IPO Share Option Plan is approximately 7.4 years as of the Latest Practicable Date. 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 Plan shall remain in full force and effect.

(i) Outstanding Options

As of December 31, 2023, 146 grantees were granted with outstanding options with a total of 41,580,295 underlying Shares under the Post-IPO Share Option Plan. The table below shows details of the outstanding share options granted to all grantees under the Post-IPO Share Option Plan as of December 31, 2023.

Name	Date of Grant	Exercise Price[1]	Vesting Period[2]	Number of Shares underlying the outstanding options as of January 1, 2023	Number of options granted during the Reporting Period	Exercise Date	Number of options exercised during the Reporting Period	Number of options lapsed during the Reporting Period	Number of options canceled during the Reporting Period	Number of Shares underlying the outstanding options as of December 31, 2023	Approximate percentage of the Shares underlying the outstanding option[3]	Weighted average closing price of the Shares immediately before the dates on which the Options exercised
Directors												
Mr. LIANG Joshua G	March 31, 2022	HKD7.30	Note (4)	9,031,000	–	–	–	–	–	9,031,000	0.70%	–
Dr. LIANG Peng	March 31, 2022	HKD7.30	Note (4)	992,500	–	–	–	–	–	992,500	0.08%	–
Dr. WANG Xiaodong	March 31, 2022	HKD7.30	Note (5)	260,500	–	–	–	–	–	260,500	0.02%	–
	April 11, 2023	HKD1.82	Note (7)	–	291,000	–	–	–	–	291,000	0.02%	–
Dr. WU Xiaobin	March 31, 2022	HKD7.30	Note (5)	260,500	–	–	–	–	–	260,500	0.02%	–
	April 11, 2023	HKD1.82	Note (7)	–	291,000	–	–	–	–	291,000	0.02%	–
Mr. LIAO Xiang	March 31, 2022	HKD7.30	Note (5)	260,500	–	–	–	–	–	260,500	0.02%	–
	April 11, 2023	HKD1.82	Note (7)	–	291,000	–	–	–	–	291,000	0.02%	–
Mr. Jeffrey FARROW	March 31, 2022	HKD7.30	Note (5)	260,500	–	–	–	–	–	260,500	0.02%	–
	April 11, 2023	HKD1.82	Note (7)	–	291,000	–	–	–	–	291,000	0.02%	–
Mr. Thomas LEGGETT	March 31, 2022	HKD7.30	Note (5)	260,500	–	–	–	–	–	260,500	0.02%	–
	April 11, 2023	HKD1.82	Note (7)	–	291,000	–	–	–	–	291,000	0.02%	–
Dr. Ralf Leo CLEMENS	July 19, 2022	HKD3.894	Note (6)	347,500	–	–	–	–	–	347,500	0.03%	–
	April 11, 2023	HKD1.82	Note (7)	–	291,000	–	–	–	–	291,000	0.02%	–
Dr. Donna Marie	July 19, 2022	HKD3.894	Note (6)	347,500	–	–	–	–	–	347,500	0.03%	–
AMBROSINO	April 11, 2023	HKD1.82	Note (7)	–	291,000	–	–	–	–	291,000	0.02%	–
Employees (excluding	May 12, 2022	HKD4.116	Note (8)	16,930,809	–	–	–	4,326,884	–	12,603,925	0.97%	–
Directors)	December 15, 2022	HKD3.83	Note (9)	5,732,500	–	–	–	2,045,130	–	3,687,370	0.28%	–
	April 11, 2023	HKD1.82	Note (10)	–	16,813,500	–	–	5,582,500	–	11,231,000	0.87%	–
Total				34,684,309	18,850,500	–	–	11,954,514	–	41,580,295	3.21%	–

Notes:

(1) The closing price of the Shares immediately before the date of grant on March 31, 2022, May 12, 2022, July 19, 2022, December 15, 2022 and April 11, 2023 was HK$6.99, HK$3.11, HK$3.62, HK$3.5 and HK$1.65, respectively. The fair values per option granted under the Post-IPO Share Option Plan on March 31, 2022, May 12, 2022, July 19, 2022, December 15, 2022 and April 11, 2023 were HK$4.15, HK$1.24, HK$2.23, HK$1.60 and HK$0.99, respectively. As for the accounting standard and policy adopted, please refer to Note 2.4 and Note 30 to the consolidated financial statements.

(2) The validity period is 10 years from the date of grant.

(3) Calculated based on 1,296,289,733 total issued Shares of the Company as of December 31, 2023.

(4) 100% of the options granted shall become exercisable evenly on a monthly basis within four years from the date of grant provided that the first few tranches of options to become exercisable during the date of grant to May 5, 2022 (being the first half-year anniversary of the Listing Date) shall become exercisable in one go in May 2022.

(5) 100% of the options granted shall vest on the first anniversary of the date of grant.

(6) Twenty-five percent (25%) of the options granted shall vest on June 15, 2023 and the rest of the options granted will vest yearly thereafter.

(7) Subject to both a service condition (100% of the options will vest on the first anniversary of April 1, 2023) and a performance condition (both the group level performance targets and the individual annual and/or semi-annual performance targets shall be satisfied).

(8) Pursuant to the relevant offer letter issued to each grantee, the options granted are subject to either of the following vesting schedules: (i) one-forty-eighth (1/48th) of the options granted shall vest on monthly basis with one-year cliff, which means the first 25% will vest on the first anniversary of the first Business Day of the grantee's onboarding month, and the remaining 75% of options granted will vest on monthly basis thereafter; or (ii) one-forty-eighth (1/48th) of the options granted shall vest on monthly basis starting from the date of grant.

(9) Pursuant to the relevant offer or award letter issued to each grantee, the options granted are subject to either of the following vesting schedules: (i) Twenty-five percent (25%) of the options granted shall vest on the first anniversary of the first day of the option grantee's onboarding month and the rest of the options granted will vest monthly in three years thereafter equally; or (ii) Twenty-five percent (25%) of the options granted shall vest on December 1, 2023 and the rest of the options granted will vest monthly in three years thereafter equally.

(10) Subject to both a service condition (Twenty-five percent (25%) will vest on the first anniversary of April 1, 2023, and the remaining seventy-five percent (75%) of the options will vest in six equal installments on a semi-annual basis thereafter) and a performance condition (both the group level performance targets and the individual annual and/or semi-annual performance targets shall be satisfied).

(11) The vesting of the options granted to the option grantees will be subject to both the group level performance targets and the individual annual and/or semi-annual performance targets as stipulated in the respective grant letter issued by the Company to each of the option grantees. For Group level performance, the Board and management of the Company will assess the performance of the Group for the relevant year, including in particular key performance indicators, such as progress of R&D programs and pipeline, product commercialization performance and the Company's financial conditions. For individual level performance, the Group has established a standard performance appraisal system for the Directors, senior management and employees to evaluate their performance and contribution to the Group. The Company will determine whether the option grantees meet the individual performance targets based on their performance appraisal results for the relevant vesting period. The options will only be vested if the option grantees pass their respective performance evaluation in the annual and/or semi-annual assessment (as the case may be) for the corresponding vesting period.

(12) On May 30, 2023, the Board was informed by Dr. Liang and Mr. Joshua Liang that after due and careful considerations, each of Dr. Liang and Mr. Joshua Liang decided not to accept the options granted in the year of 2023.

On April 11, 2023, the Company granted an aggregate of 18,850,500 options to 164 option grantees pursuant to the Post-IPO Share Option Plan, among which a total of 2,037,000 options were granted to seven Directors. The Remuneration Committee and the Board note that certain vesting dates are less than 12 months from the grant date, and consider such arrangement to be appropriate as the vesting period is only slightly shorter than 12 months due to administrative reasons. The current vesting schedule is consistent with the prior practices and approach of the Company so that the Company can attract, retain, incentivize, reward and remunerate the Option Grantees and enhance operational efficiency.

The total number of options available for grant under the Post-IPO Share Option Plan at the beginning and the end of the Reporting Period is 81,066,827 and 74,170,841, respectively.

The number of Shares that may be issued in respect of options and awards granted under all share schemes of the Company during the Reporting Period divided by weighted average number of Shares in issue for the Reporting Period is 1.52%.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time for the year ended December 31, 2023 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, 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, performance 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 Plan, the RSU Scheme and the Post-IPO Share Option Plan.

Details of the remuneration of the Directors, management and the five highest paid individuals are set out in Note 10 and Note 11, 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 or five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

For the year ended December 31, 2023, the Directors were not granted discretionary bonuses.

CONNECTED TRANSACTIONS

Details on related party transactions for the year ended December 31, 2023 are set out in Note 35 to the consolidated financial statements. The related party transactions disclosed in Note 35 to the consolidated financial statements do not fall under the definition of "connected transaction" or "continuing connected transaction" pursuant to Chapter 14A of the Listing Rules. The Company had complied with the disclosure requirements set out in Chapter 14A of the Listing Rules. The following transaction constitutes the continuing connected transaction for the Company and is required to be disclosed in this annual report in accordance with Rule 14A.71 of the Listing Rules.

Non-exempt Continuing Connected Transaction

License Agreement

Principal Terms

Pursuant to the license agreement entered into between GenHunter, being the licensor, and Sichuan Clover, being the licensee, dated October 14, 2019 (the "**License Agreement**"), GenHunter agreed to grant to Sichuan Clover, and Sichuan Clover agreed to accept, worldwide (the "**Territory**") and in the field (the "**Field**") of all biological drug products and research & development applications an exclusive license under relevant patents and patent applications, trademarks, and copyrights related to Trimer-Tag technology platform (together the "**GenHunter IP Rights**") to develop, manufacture and commercialize drug products (including the right to grant sublicense subject to GenHunter's approval). In consideration, Sichuan Clover agreed to pay GenHunter (i) a royalty of 2% on net sales of drug products (the "**Products**") developed by the Group using the GenHunter IP Rights (the "**Net Sales Royalty**") and (ii) a royalty of 20% of sublicense income (the "**Sublicense Income Royalty**"). GenHunter is a connected person to the Company because it is wholly owned by Dr. Liang, our executive Director. Therefore, the transaction under the License Agreement constitutes continuing connected transaction under Chapter 14A of the Listing Rules.

Reasons for and Benefits of the Transaction

As disclosed in the section headed "Business – Licensing and Collaboration Arrangements – License Agreement with GenHunter" in the Prospectus, GenHunter and Sichuan Clover entered into the License Agreement to ensure that the GenHunter IP Rights could be fully utilized by Sichuan Clover in development, manufacture and commercialization of the Products. As a result of the License Agreement, our Group held all of the relevant intellectual property rights to carry out our principal businesses and GenHunter would be able to benefit from the potential Net Sales Royalty and Sublicense Income Royalty generated thereunder. Therefore, our role and the role of GenHunter are complementary and beneficial to each other.

The Group has followed the pricing policies and payment terms, as disclosed in the announcement published by the Company on December 28, 2023, of the continuing connected transaction conducted during the year.

Annual Review and Confirmation by the Auditor of the Company

There was no Net Sales Royalty or Sublicense Income Royalty incurred for the year ended December 31, 2023. Therefore, the auditor of the Group has not reported on the above continuing connected transactions pursuant to Rule 14A.56 of the Listing Rules.

Annual Review by the Independent Non-executive Directors

The independent non-executive Directors have confirmed that the above continuing connected transaction: (i) has been entered into, and will be carried out, in the ordinary and usual course of business of our Group, on normal commercial terms or better and, according to the License Agreement, on terms that are fair and reasonable and are in the interests of our Company and our Shareholders as a whole; and (ii) the proposed annual caps in formula are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

For further details of the License Agreement, please refer to the section headed "Connected Transactions" in the Prospectus.

Save as disclosed above, for the year ended December 31, 2023, 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 the Single Largest Group of Shareholders or subsidiaries for the year ended December 31, 2023.

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 for the year ended December 31, 2023.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The Company's Shares were listed on the Stock Exchange on November 5, 2021. The net proceeds from the Global Offering amounted to approximately HKD1,884.3 million (equivalent to RMB1,549.0 million).

Reference is made to the announcement of the Company dated August 23, 2023 in relation to the change in use of proceeds from the Global Offering. In order to navigate the current macroeconomic environment and focus on programs that will bring long-term value, on August 22, 2023 ("**IPO UOP Change Date**"), the Board has resolved to change the intended use of the unutilized net proceeds from the Global Offering of approximately RMB415.2 million in total as of August 22, 2023.

As of December 31, 2023, approximately RMB1,298.9 million, accounting for 83.9% of the net proceeds from the Global Offering had been utilized in accordance with the use as stated in the section headed "Future Plans and Use of Proceeds" in the Prospectus or the use after change approved on August 22, 2023 (see below).

The utilization of the net proceeds from the Global Offering during the period from the Listing Date to the IPO UOP Change Date is as follows:

Original use of proceeds	Original percentage of net proceeds	Original allocation of net proceeds *HKD million*	Original allocation of net proceeds *RMB million*	Unutilized net proceeds as of December 31, 2022 *RMB million*	Actual usage during the period from January 1, 2023 to August 22, 2023 *RMB million*	Unutilized net proceeds as of August 22, 2023 *RMB million*	Actual usage during the period from the Listing Date to August 22, 2023 *RMB million*
1. For the research and development, manufacturing and commercialization of our Core Products and related products	65.0%	1,224.8	1,006.9	305.3	12.8	292.5	714.4
2. For the research and development, manufacturing and commercialization of other products in our pipeline	22.5%	424.0	348.5	122.7	–	122.7	225.8
3. For working capital and other general corporate purposes	12.5%	235.5	193.6	–	–	–	193.6
Total	100.0%	1,884.3	1,549.0	428.0	12.8	415.2	1,133.8

Details of the utilization of the unutilized net proceeds from the Global Offering of approximately RMB415.2 million from the IPO UOP Change Date to December 31, 2023 and the expected timeline for utilization are as follows:

Use of proceeds after change	Revised percentage of unutilized net proceeds	Revised allocation of unutilized net proceeds approved on August 22, 2023 *RMB million*	Actual usage during the period from August 23, 2023 to December 31, 2023 *RMB million*	Unutilized net proceeds as of December 31, 2023 *RMB million*	Expected timeline of full utilization of the unused net proceeds
For the preclinical development and clinical trials of RSV vaccine candidate, SCB-1019	55.0%	228.4	53.5	174.9	By December 2024
For the R&D of other product candidates, including ≥ 1 mid-to late-stage in-licensed vaccines	22.5%	93.4	18.2	75.2	By June 2024
For the R&D and regulatory submission for updated version of COVID-19 vaccine including the XBB.1.5 variant	12.5%	51.9	51.9	–	Completed
For working capital and other general corporate purposes	10.0%	41.5	41.5	–	Completed
Total	100.0%	415.2	165.1	250.1	

Notes:

(1) The expected timeline for utilizing the remaining proceeds is based on the best estimation of the future progress of R&D and market conditions and is subject to changes.

(2) The net proceeds were received in HKD and translated to RMB for application planning. As of the date of this report, the unused net proceeds were deposited with certain licensed banks in Hong Kong and the PRC.

USE OF NET PROCEEDS FROM THE PLACING

References are made to the Company's announcements dated December 6, 2022 and December 13, 2022 in relation to the Placing. On December 6, 2022, the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Company agreed to appoint the Placing Agent, and the Placing Agent agreed to act as agent of the Company to procure subscribers, on a best effort basis, to subscribe for a total of 128,000,000 Placing Shares at the Placing Price upon the terms and subject to the conditions set out in the Placing Agreement. The Placing was completed on December 13, 2022. The net proceeds from the Placing (after deducting all relevant fees, costs and expenses to be borne or incurred by the Company) are approximately HKD500.5 million.

Reference is made to the announcement of the Company dated August 23, 2023 in relation to the change in use of proceeds from the Placing. In order to expand commercialization capabilities to support the commercialization of the Company's respiratory vaccine products including seasonal influenza and COVID-19 vaccines, on August 22, 2023 ("**Placing UOP Change Date**"), the Board has resolved to change the intended use of the unutilized net proceed from the Placing of approximately RMB69.4 million in total as of August 22, 2023.

As of December 31, 2023, approximately RMB398.5 million, accounting for 88.8% of the net proceeds from the Placing had been utilized in accordance with the use as stated in the Placing Agreement or the use after change approved on August 22, 2023.

Utilization of the net proceeds from the Placing from January 1, 2023 to the Placing UOP Change Date is as follows:

Original use of proceeds	Original percentage of net proceeds	Original allocation of net proceeds	Original allocation of net proceeds	Unutilized net proceeds as of December 31, 2022	Actual usage during the period from January 1, 2023 to August 22, 2023	Unutilized net proceeds as of August 22, 2023
		HKD million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
For expanding commercialization capabilities and production capacity (i) expanding the production capacity for commercialization of SCB-2019 (CpG 1018/Alum) and (ii) building the commercialization team and enhancing full commercial platform	90.0%	450.4	404.1	362.6	293.2	69.4
For extended working capital needs	10.0%	50.1	44.9	39.1	39.1	–
Total	**100.0%**	**500.5**	**449.0**	**401.7**	**332.3**	**69.4**

Set out below is the utilization of the net proceeds from the Placing since the Placing UOP Change Date to December 31, 2023 and the expected timeline for utilization:

Use of proceeds after change	Revised percentage of unutilized net proceeds approved on August 22, 2023	Revised allocation of net proceeds approved on August 22, 2023 *RMB million*	Actual usage during the period from August 23, 2023 to December 31, 2023 *RMB million*	Unutilized net proceeds as of December 31, 2023 *RMB million*	Expected timeline of full utilization of the unused net proceeds
For expanding commercialization capabilities to support the commercialization of respiratory vaccine products including seasonal influenza and COVID-19 vaccine	100.0%	69.4	18.9	50.5	By June 2024
Total	100.0%	69.4	18.9	50.5	

Notes:

(1) The expected timeline for utilizing the remaining proceeds is based on the best estimation of the future progress of regulatory approval, commercialization, post-marketing R&D and market conditions made by the Company. It will be subject to changes in accordance with the Company's actual business operations and market conditions.

(2) The net proceeds were received in HKD and translated to RMB for application planning. As of the date of this report, the unused net proceeds were deposited with certain licensed banks in Hong Kong.

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration for the year ended December 31, 2023. The Directors are also not aware of any material litigations or arbitrations or claims that are pending or threatened against the Group during the year ended December 31, 2023.

PUBLIC FLOAT

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

AUDITOR

The Company's Shares were listed on the Stock Exchange on November 5, 2021, and there has been no change in auditor since the Listing Date. The consolidated financial statements of the Group as of December 31, 2023 have been audited by Ernst & Young, who will retire and being eligible, offer themselves for re-appointment at the AGM. A resolution for the re-appointment of Ernst & Young as the auditor of the Company will be proposed at the AGM.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

In addition to information disclosed elsewhere in the consolidated financial statements (if any), after 31 December 2023, the Group has the following subsequent events:

(1) Grant of RSUs and Share Options

On April 2, 2024, the Company granted an aggregate of 7,205,000 RSUs to 43 RSU grantees pursuant to the RSU Scheme, among which a total of 4,562,000 RSUs were granted to nine Directors and on the same date, the Company also granted an aggregate of 9,463,000 options to 68 option grantees pursuant to the Post-IPO Share Option Plan, among which a total of 2,037,000 options were granted to seven Directors. For further details, please refer to the announcement of the Company dated April 2, 2024.

(2) Proposed Amendments to the Memorandum and Articles of Association

The Board proposed to amend the existing memorandum and articles of association of the Company (the "**Existing M&A**") to (i) facilitate electronic dissemination of corporate communications in accordance with the amended Listing Rules taking effect from 31 December 2023; and (ii) better align the amendments of the Existing M&A for housekeeping purposes with the provisions of the Listing Rules and the applicable laws of the Cayman Islands (collectively, the "**Proposed Amendments**"). For the purposes of the Proposed Amendments, the Board resolved to adopt the fifth amended and restated memorandum and articles of association of the Company (the "**New M&A**") in substitution for and to exclusion of the Existing M&A.

A special resolution will be proposed at the AGM for the Shareholders to, among others, consider and, if thought fit, approve the Proposed Amendments and the proposed adoption of the New M&A. Such amendments shall take effect immediately upon the passing of the relevant resolution. For further details, please refer to the circular of the Company dated April 26, 2024.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this annual report, we do not have any plan 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 Friday, June 14, 2024 to Thursday, June 20, 2024, both days inclusive, in order to determine the eligibility of the Shareholders to attend and vote at the AGM to be held on June 20, 2024. 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 Thursday, June 13, 2024.

By Order of the Board
Clover Biopharmaceuticals, Ltd.
Dr. Peng LIANG
Chairman of the Board

Shanghai, PRC, April 26, 2024

The Board presents this corporate governance report in the Group's annual report for the year ended December 31, 2023.

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. The Company regularly reviews its compliance with the Corporate Governance Code and the Board believes that the Company was in compliance with the applicable code provisions of the Corporate Governance Code for the year ended December 31, 2023.

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.

The Company has complied with the Corporate Governance Code throughout the year ended 31 December 2023.

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, 2023.

The Company has also established a policy on unpublished price-sensitive information (the "**Inside Information**") to comply with its obligations under the SFO and the Listing Rules. In the case the Company becomes aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors and relevant employees in advance.

The Company's relevant employees, who are likely to be in possession of 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, 2023.

CORPORATE CULTURE

The Group treasures its employees as the most valuable assets fueling the Group's sustainable long-term growth and is committed to creating a safe, open and mutually trustworthy corporate culture for employees to thrive.

During 2023, the Company continued to strengthen its cultural framework by focusing on the following:

- Vision: Unleashing the power of innovative vaccines to save lives and improve health around the world.

- Mission: Harness transformative science and global partnerships to bring innovative vaccines to populations worldwide. The Board sets and promotes corporate culture and expects and requires all employees to reinforce. All of our new employees are required to attend orientation and training programs so that they may better understand our corporate culture, structure and policies, learn relevant laws and regulations, and raise their quality awareness. In addition, from time to time, the Company invites external experts to provide training to our management personnel to improve their relevant knowledge and management skills.

The Board considers that the corporate culture and the purpose, values and strategy of the Group are aligned.

BOARD OF DIRECTORS

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

The composition of the Board as of December 31, 2023 is as follows:

Executive Directors:

Dr. LIANG Peng *(Chairman of the Board)*
Mr. LIANG Joshua G *(Chief Executive Officer)*

Non-executive Directors:

Dr. WANG Xiaodong
Dr. Donna Marie AMBROSINO
Dr. Ralf Leo CLEMENS

Independent Non-executive Directors:

Dr. WU Xiaobin
Mr. LIAO Xiang
Mr. Jeffrey FARROW
Mr. Thomas LEGGETT

The biographical details of the Directors are set out in the section headed "Profiles of Directors and Management" of this annual report.

Save that Dr. LIANG Peng is the father of Mr. LIANG Joshua G, there are no other relationships (including financial, business, family or other material relationships) among the members of the Board.

Board Meetings and Attendance Record of Directors

Code provision C.5.1 of Part 2 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.

Apart from regular Board meetings, the Chairman should hold meetings with the independent non-executive Directors without the presence of other Directors each year.

Four Board meetings and one shareholder meeting was held during the Reporting Period. Our Company expects to comply with code provision C.5.1 of Part 2 of the Corporate Governance Code by convening at least four regular Board meetings in each financial year at approximately quarterly intervals. The attendance of the individual Directors at these meetings is set out below:

Name of Directors	Number of attendance/meetings held during the term of office of the Director	
	Board Meeting	Annual General Meeting
Dr. LIANG Peng	4/4	1/1
Mr. LIANG Joshua G	4/4	1/1
Dr. WANG Xiaodong	4/4	1/1
Dr. WU Xiaobin	4/4	1/1
Mr. LIAO Xiang	4/4	1/1
Mr. Jeffrey FARROW	4/4	1/1
Mr. Thomas LEGGETT	4/4	1/1
Dr. Donna Marie AMBROSINO	4/4	1/1
Dr. Ralf Leo CLEMENS	4/4	1/1

Independent Non-executive Directors

For the year ended December 31, 2023, 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 at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

Board Independence

The Company recognizes that Board independence is key to good corporate governance. The Company has in place effective mechanisms that underpin an independent Board and independent views. The current composition of the Board comprising more than one third of the independent non-executive Directors and the members of the Audit Committee are all independent non-executive Directors exceeds the independence requirements under the Listing Rules. The remuneration of independent non-executive Directors is subject to regular review to maintain competitiveness and commensurate with their responsibilities and workload. The independence of each independent non-executive Director is assessed upon his/her appointment and annually.

Directors are requested to declare their direct or indirect interests, if any, in proposals or transactions to be considered by the Board at the Board meetings and abstain from voting, where appropriate. External independent professional advice is available to all Directors, including independent non-executive Directors, whenever deemed necessary. The independent non-executive Directors have consistently demonstrated strong commitment and the ability to devote sufficient time to discharge their responsibilities at the Board.

The Company has also established channels through formal and informal means whereby independent non-executive Directors can express their views in an open manner, and in a confidential manner, should circumstances requires.

Appointment, Re-election and Removal of Directors

Each of the executive Directors entered into a service contract with the Company on September 26, 2021. The initial term of their respective service agreements commenced from September 26, 2021 and will continue for a period of three years or until the third annual general meeting of the Company since the Listing Date, whichever is sooner, and subject always to re-election as and when required under the Articles of Association and the Corporate Governance Code, until terminated in accordance with the terms and conditions of the service agreement.

Dr. WANG Xiaodong, being a non-executive Director, has entered into an appointment letter with our Company on September 26, 2021. The initial term for his appointment letter commenced from September 26, 2021 and will continue for a period of three years or until the third annual general meeting of the Company since the Listing Date, whichever is sooner, subject always to re-election as and when required under the Articles of Association, until terminated in accordance with the terms and conditions of the appointment letter.

Dr. Donna Marie AMBROSINO and Dr. Ralf Leo CLEMENS, each being the non-executive Director, has entered into an appointment letter with our Company on June 17, 2022. The initial term for their respective appointment letters commenced from June 17, 2022 and will continue for a period of three years, until terminated in accordance with the terms and conditions of the appointment letter.

Each of our independent non-executive Directors has entered into an appointment letter with our Company on September 26, 2021. The initial term for their respective appointment letters commenced from September 26, 2021 and will continue for a period of three years or until the third annual general meeting of the Company since the Listing Date, whichever is sooner, subject always to re-election as and when required under the Articles of Association, until terminated in accordance with the terms and conditions of the appointment letter.

Save as disclosed above, none of the Directors has or is proposed to have entered into any service agreement or appointment letter with any member of the Group (excluding agreements expiring or determinable by any member of the Group within one year without payment of compensation other than statutory compensation).

In accordance with the Articles of Association and the Corporate Governance Code, all Directors are subject to retirement by rotation at least once every three years and any new Director appointed to fill a casual vacancy or as an addition to the Board shall submit himself/herself for election by Shareholders at the first general meeting of the Company after appointment.

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

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

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

Responsibilities of the Directors

The Board 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 management. The delegated functions are periodically reviewed. Approval must be obtained from the Board before any significant transaction is entered into.

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

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

Board Diversity Policy

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

We have taken, and will continue to take, steps to promote gender diversity at all levels of our Company, including but not limited to our Board and the management levels. In particular, Dr. Donna Marie AMBROSINO, our non-executive director responsible for providing guidance and advice on the corporate and business strategies of our Group, and some employees of management team are women, and form an important part of our Board and management team. We will continue to ensure that at least one Board member is of a different gender, and to ensure there is gender diversity when recruiting staff at mid to senior levels, so our management pipeline includes multiple genders and thus a diverse set of potential successors to our Board in due time. Our Group will continue to emphasize training of talented employees from underrepresented genders and provide them with long-term development opportunities. Among the 387 employees of our Group as at December 31, 2023, 178 are males (45.99%) and 209 are females (54.01%). The Board believes that the Company has achieved gender diversity among its employees and has not adopted any plan or measurable target for gender diversity as of the Latest Practicable Date and is not aware of any factors or circumstances that would make it more challenging or less relevant for the Group to achieve gender diversity among its employees.

As of the Latest Practicable Date, the Company had a total of nine Directors. They have a balanced mix of knowledge and skills, including in biochemistry, pharmaceuticals, business development, R&D, investment management and corporate finance. They obtained degrees in various majors including, among others biology, pharmaceuticals, economics and business development. We have four independent non-executive Directors with different industry backgrounds, representing more than one third of the members of our Board.

Our Nomination Committee is responsible for ensuring the diversity of our Board members. After the Listing, our Nomination Committee has been monitoring the implementation of the Board Diversity Policy and reviewing the Board Diversity Policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the Board Diversity Policy on an annual basis.

Directors' and Officers' Liabilities Insurance

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

Continuous Professional Development of Directors

All Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant.

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

During the Reporting Period, the Directors, namely Dr. Liang, Mr. Joshua Liang, Dr. WANG Xiaodong, Dr. Donna Marie AMBROSINO, Dr. Ralf Leo CLEMENS, Dr. WU Xiaobin, Mr. LIAO Xiang, Mr. Jeffrey FARROW, Mr. Thomas LEGGETT, were regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

The Joint Company Secretaries of the Company may from time to time and, as the circumstances required, provide updated training materials relating to the roles, functions and duties of a director of a company listed on the Stock Exchange. During the year, each of the Directors studied these training materials. The Company has received confirmation from all Directors of their respective training records for the year ended December 31, 2023.

BOARD COMMITTEES

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

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 and has formulated its written terms of reference, which will from time to time be modified, in accordance with the prevailing provisions of the Corporate Governance Code.

We have established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of the Group, review and approve connected transactions and to advise the Board. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Thomas LEGGETT, Mr. Jeffrey FARROW and Mr. LIAO Xiang, Mr. Thomas LEGGETT is the chairman of the Audit Committee. Mr. Jeffrey FARROW is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The Group's annual results for the year ended December 31, 2023 have been reviewed by the Audit Committee and the annual results have also been audited by the independent auditor of the Company, Ernst & Young. 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. The attendance of the meeting by the Audit Committee members is set out in the table below:

Name of Directors	Number of attendance/ meetings held during the term of office of the Audit Committee member
Mr. Thomas LEGGETT	2/2
Mr. LIAO Xiang	2/2
Mr. Jeffrey FARROW	2/2

On March 19, 2024, the Audit Committee held another meeting and reviewed (i) the audited consolidated financial statements for the Reporting Period of the Group; (ii) a draft of this annual report; (iii) the accounting principles and policies for the Reporting Period; (iv) the internal control and risk management system of the Group; (v) the effectiveness of the Company's internal audit function; and (vi) the Audit Committee's performance of its other duties under the Corporate Governance Code in the presence of the representatives from Ernst & Young and the Company's management. The Audit Committee concluded that the internal control systems and risk management of the Group are effective and adequate.

Remuneration Committee

We have established the 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/or approve matters relating to share schemes under Chapter 17 of the Listing Rules, review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management, and approve the terms of the service contracts of executive Directors.

The Remuneration Committee comprises two independent non-executive Directors, namely Dr. WU Xiaobin and Mr. LIAO Xiang, and one non-executive Director, namely Dr. WANG Xiaodong. Dr. WU Xiaobin is the chairman of the Remuneration Committee. The Remuneration Committee has (i) reviewed policy and structure for the remuneration of the Directors and senior management of the Company by reference to the individual performance; (ii) reviewed the remuneration proposal of the Directors and senior management of the Company for the year ended December 31, 2023; (iii) made recommendations to the Board on the remuneration packages of individual Directors and senior management pursuant to code provision E.1.2 (c)(ii) of Part 2 of the Corporate Governance Code during the Reporting Period; and (iv) considered and made recommendation to the Board in respect of the grant of (1) options pursuant to the Post-IPO Share Option Plan and (2) RSUs pursuant to the RSU Scheme. For further details of such grant of options and RSUs, please refer to section headed "RSU Scheme" and "Post-IPO Share Option Plan" under the "Directors' Report" in this annual report.

The Remuneration Committee held two meetings during the Reporting Period. The attendance of the meeting by the Remuneration Committee members is set out in the table below:

Name of Directors	Number of attendance/ meetings held during the term of office of the Remuneration Committee member
Dr. Xiaobin WU	2/2
Dr. Xiaodong WANG	2/2
Mr. Xiang LIAO	2/2

For the policy of the remuneration of the Directors, please refer to the section headed "Emolument Policy and Directors' Remuneration" under the "Report of the Directors" in this annual report.

Nomination Committee

We have established the Nomination Committee in compliance with 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, namely Dr. Liang, and two independent non-executive Directors, namely Mr. Thomas LEGGETT and Dr. WU Xiaobin. Dr. Liang is the chairman of the Nomination Committee.

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

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

The Nomination Committee held one meeting during the Reporting Period. The attendance of the meeting by the Nomination Committee members is set out in the table below:

Name of Directors	Number of attendance/ meetings held during the term of office of the Nomination Committee member
Dr. Peng LIANG	1/1
Dr. Xiaobin WU	1/1
Mr. Thomas LEGGETT	1/1

Policy on Director Nomination

Pursuant to Article 16.2 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting. Subject to the provisions of the Articles of Association and the Companies Act, the Company may by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors. Pursuant to Article 16.6 of the Articles of Association, the Company may by ordinary resolution at any time remove any Director (including a managing Director or other executive Directors) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director and may by ordinary resolution elect another person in his stead. Any person so elected shall hold office during such time only as the Director in whose place he is elected would have held the same if he had not been removed.

Nomination Committee's Role and its Selection Process and Criteria

The Nomination Committee shall review the information and documents provided by the nominated candidate and conduct the following process (in accordance with the following criteria) with a view to assess and evaluate whether such candidate is suitably qualified to be appointed as a Director before making recommendations to the Board:

1. to assess such candidate's qualifications, skills, knowledge, ability and experience and also potential time commitment and attention to perform director's duties under common law, legislation and applicable rules, regulations and guidance (including without limitation the Listing Rules and the "Guidance for Boards and Directors" published by the Stock Exchange (the "**Guidance for Boards**")), with reference to the corresponding professional knowledge and industry experience which may be relevant to the Company and also the potential contributions that such candidate could bring to the Board (including potential contributions in terms of qualifications, skills, experience, independence and gender diversity);

2. in addition and without prejudice to Paragraph 1 above, to assess such candidate's personal ethics, integrity and reputation (including without limitation to conduct appropriate background checks and other verification processes against such candidate);

3. with reference to the Company's Board Diversity Policy (as adopted and amended by the Board from time to time), to take into account the then current structure, size and composition (including without limitation the balancing of the age, gender, cultural and educational background, professional and industry experience, skills and knowledge, and diversity of perspectives appropriate to the requirements of the Company's business) of the Board and the Company's strategy, with due regard for the benefits of the appropriate diversity of the Board and also such candidate's potential contributions thereto;

4. to consider board succession planning considerations and the long-term needs of the Company;

5. in case of a candidate for an independent non-executive director of the Company, to assess: (i) the independence of such candidate with reference to, among other things, the independence criteria as set out in Rule 3.13 of the Listing Rules; and (ii) the guidance and requirements relating to independent non-executive directors set out in code provision B.3.4 of Part 2 of the Corporate Governance Code and in the Guidance for Boards; and

6. to consider any other factors and matters as the Nomination Committee may consider appropriate.

Board's Decision

The Board shall consider the recommendations from the Nomination Committee and make a decision as to whether the nominated candidate shall be eligible to be appointed as a Director.

Corporate Governance Function

The Board is responsible for determining the corporate governance policy of the Company performing the functions set out in code provision A.2.1 of Part 2 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, 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 training materials relating to the roles, functions and duties of a director of a company listed on the Stock Exchange.

ANTI-BRIBERY AND ANTI-CORRUPTION POLICY

The Board adopted an anti-bribery and anti-corruption policy (the "**Anti-bribery and Anti-corruption Policy**") in September 2021. To ensure the legal compliance of business activities and daily operations, the Board adopted the Anti-Bribery and Anti-Corruption policy in accordance with the International Organization for Standardization's Anti-bribery management systems (ISO 37001) and related laws and regulations. This policy clarifies the Company's compliance requirements and standards in prohibiting bribery and corruption, effectively contributing to the achievement of the goal of building a clean enterprise.

WHISTLEBLOWING POLICY

The Board adopted a whistleblowing policy (the "**Whistleblowing Policy**") in August 2021. To encourage employees to report violations or potential violations of internal policies (e.g. the Code of Conduct) or laws and regulations, the Board adopted the Reporting Concerns and Responding to Allegations procedure, which provides guidance on how to report concerns and how to respond. In addition, the Company's standard reporting procedure ensures that all reports can be effectively assessed, investigated and addressed in a timely way. The procedure also requires that full records shall be maintained for traceability.

DIVIDEND POLICY

The Company has never declared or paid regular cash dividends on its ordinary Shares. The Company currently expects to retain all future earnings for use in the operation and expansion of the business and does not anticipate paying cash dividends in the foreseeable future. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Companies Act. The declaration and payment of any dividends in the future will be determined by the Board, in its discretion, and will depend on a number of factors, including our earnings, capital requirements, overall financial condition and contractual restrictions. Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. As advised by our Cayman counsel, under the Companies Act, a Cayman Islands company may pay a dividend out of either profits or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. In light of our accumulated losses as disclosed in this annual report, it is unlikely that we will be eligible to pay a dividend out of our profits in the foreseeable future. We may, however, pay a dividend out of our share premium account unless the payment of such a dividend would result in our Company being unable to pay our debts as they fall due in the ordinary course of business. There is no assurance that dividends of any amount will be declared to be distributed in any year.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness at least annually. 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 conducts annual review on its risk management and internal control system.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems. The Company has set up an internal audit function to conduct internal control on certain significant areas of the Group. The internal audit function, reporting to the chief executive officer of the Company, Mr. Joshua Liang, provides independent assurance as to the existence and effectiveness of the risk management activities and internal controls in the operations of the Group's business.

The dedicated internal control function assists the Board and Audit Committee on the implementation and monitoring of the internal control policies, procedures and the risk management mechanism.

Risk Management

The Company has adopted a consolidated set of risk management policies which set out a risk management framework to identify, assess, evaluate, and monitor key risks associated with its strategic objectives on an ongoing basis. The Company's senior management, and ultimately the Directors, supervise the implementation of the risk management policies. Risks identified by management will be analyzed on the basis of likelihood and impact, and will be properly followed up and mitigated and rectified by the Group and reported to the Directors.

The following key principles outline the Group's approach to risk management the Company plans to implement:

- The senior management oversees and manages the overall risks associated with the Company's business operations, including (i) reviewing and approving the Company's risk management policy to ensure that it is consistent with its corporate objectives; (ii) monitoring the most significant risks associated with the Company's business operations and its management's handling of such risks; and (iii) ensuring the appropriate application of the risk management framework across the Group;

- The chief executive officer of the Company, Mr. Joshua Liang, is responsible for (i) formulating and updating our risk management policy; (ii) reviewing and approving major risk management issues of our Company; (iii) promulgating risk management measures; (iv) providing guidance on the Company's risk management approach to the relevant departments in the Company; (v) reviewing the relevant departments' reporting on key risks and providing feedback; (vi) supervising the implementation of the risk management measures by the relevant departments; (vii) ensuring that the appropriate structure, processes and competencies are in place across the company; and (viii) reporting to the Audit Committee on the Company's material risks;

- The relevant departments in the Company, including but not limited to the finance department, the legal department, and the human resources department, are responsible for implementing the risk management policy and carrying out day-to-day risk management practice. In order to formalize risk management across the Group and set a common level of transparency and risk management performance, the relevant departments will (i) gather information about the risks relating to their operation or function; (ii) conduct risk assessments, which include the identification, measurement, prioritization and categorization of all key risks that could potentially affect their objectives; (iii) define and implement appropriate risk responses where necessary; (iv) prepare a risk management report annually for the Company's chief executive officer's review; (v) continuously monitor the key risks relating to their operation or function; and (vi) develop and maintain an appropriate mechanism to facilitate the application of the risk management framework.

Internal Control

The Board is responsible for establishing the Company's internal control system and reviewing its effectiveness. During the Reporting Period, the Company has regularly reviewed and enhanced its internal control system. Below is a summary of the internal control policies, measures, and procedures the Company has implemented or plan to implement:

- The Company has established Management Authority Limit, which has been integrated into the operational systems and off-line processes, as the basis and guidance for the requesting and approving on all major business operations.

- The Company has adopted various measures and procedures regarding each aspect of its business operation, such as procurement process, related party transaction, risk management, protection of intellectual property, environmental protection and occupational health and safety.

- For any material internal control defects, the management will identify the internal control deficiencies, review the control activities and procedures and amend the necessary internal policy and procedures, if necessary. It will be reported to the Board and the Audit Committee, at least annually.

- The Company provides various training programs to keep the employees updated on relevant laws, regulations, and policies. The Company's new employees are required to attend compliance training programs soon after on-boarding, and must pass tests which examine their understanding of the compliance issues addressed by the training programs. The Company's employees are also required to regularly attend on-site and online training sessions to keep them informed of recent updates in the relevant laws and regulations.

- The Directors (who are responsible for monitoring the corporate governance of the Group), with help from the Company's legal advisers, periodically review the Company's compliance status with all relevant laws and regulations.

- The Company has established the Audit Committee which (i) makes recommendations to the Directors on the appointment and removal of external auditors; and (ii) reviews the financial statements and renders advice in respect to financial reporting as well as oversees internal control procedures of the Group.

- The Company maintains strict anti-bribery & anti-corruption policies and believes it will therefore be less affected by the increasingly stringent measures taken by the PRC government to correct corruptive practices in the pharmaceutical industry.

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company is required to disclose inside information as soon as reasonably practicable in accordance with the SFO and the Listing Rules. We would conduct its affairs with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission. It is strictly prohibited to use inside or confidential information without proper authorization. The Company ensures, through its own internal reporting processes and the consideration of their outcome by senior management, the appropriate handling and dissemination of inside information.

The Board, as supported by the Audit Committee as well as the management, reviewed the risk management and internal control systems, including the financial, operational and compliance controls during the Reporting Period, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2023.

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

AUDITOR'S RESPONSIBILITY AND REMUNERATION

The Company appointed Ernst & Young, Certified Public Accountants and Registered Public Interest Entity Auditor, as the external auditor for the year ended December 31, 2023. A statement by Ernst & Young about their reporting responsibilities for the financial statements is included in the Independent Auditors' Report of this annual report.

Details of the fees paid/payable in respect of the audit and non-audit services provided by Ernst & Young for the year ended December 31, 2023 are set out in the table below:

	RMB'000
Audit services	2,260
Non-audit services*(note)*	600
Total	2,860

Note: Non-audit services are related to interim review.

JOINT COMPANY SECRETARIES

From January 1, 2023 to March 31, 2023, Mr. Brian KREX was one of the Joint Company Secretaries of the Company. Ms. CHAU Hing Ling of Vistra Corporate Services (HK) Limited, an external service provider, has been engaged by the Company as the other Joint Company Secretary. With effect from March 31, 2023, Mr. Brian KREX resigned as a Joint Company Secretary of the Company and Ms. WANG Xiaoyan, the new Joint Company Secretary of the Company as well as the General Counsel, is the primary corporate contact person of the other Joint Company Secretary, Ms. CHAU Hing Ling.

For the year ended December 31, 2023, Ms. WANG Xiaoyan and Ms. CHAU Hing Ling had undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

Convening of Extraordinary General Meetings by Shareholders

Pursuant to the Articles of Association, an extraordinary general meeting (the "**EGM**") shall be called by notice in writing of not less than 14 clear days and not less than 10 clear Business Days.

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 carrying the right of voting at general meetings of the Company (the "**Eligible Shareholder(s)**") shall at all times have the right, by written requisition to the Board or the Joint Company Secretaries, to require an EGM to be called by the Board for the transaction of any business specified in such requisition.

Eligible Shareholder(s) who wish to convene an EGM must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned 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, for the attention of the Joint Company Secretaries. The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM, the agenda proposed to be included and the details of the business(es) proposed to be transacted at the EGM. The Requisition must be signed by the Eligible Shareholder(s) concerned.

The Company will check the Requisition and the identity and the shareholding of the Eligible Shareholder(s) will be verified with the Company's branch share registrar. If the Requisition is found to be proper and in order, the Joint Company Secretaries will ask the Board to convene an EGM within two (2) months and/or include the proposal or the resolution proposed by the Eligible Shareholder(s) at the EGM after the deposit of the Requisition. If within 21 days of the deposit of the Requisition the Board has not advised the Eligible Shareholders of any outcome to the contrary and fails to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the Articles of Association, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Putting Forward Proposals at General Meetings

There are no provisions allowing Shareholders to propose new resolutions at the general meetings under the Companies Act or the Articles of Association. However, Shareholders who wish to put forward proposals at general meetings may achieve so by means of convening an EGM following the procedures set out in the 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 www.cloverbiopharma.com.

Putting Forward Enquiries to the Board and Contact Details

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 or email to anita.chau@vistra.com and xiaoyan.wang_sh@cloverbiopharma.com, for the attention of the Joint Company Secretaries.

COMMUNICATION WITH SHAREHOLDERS

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

CHANGE IN CONSTITUTIONAL DOCUMENTS

There was no significant change to the constitutional documents of the Company for the year ended December 31, 2023.

On March 26, 2024, the Board resolved to propose the adoption of the fifth amended and restated memorandum and articles of association of the Company (the "**Amended and Restated M&A**") to adopt the expansion of paperless listing regime and electronic dissemination of corporate communications pursuant to Rule 2.07A of the Listing Rules that came into effect on 31 December 2023.

The proposed adoption of the Amended and Restated M&A will be proposed to the Shareholders by way of a special resolution at the annual general meeting of the Company to be held on June 20, 2024 and the Amended and Restated M&A took effect on the same day.

INVESTOR RELATIONS

The Company keeps on promoting good investor relations and enhancing communication with the Shareholders and potential investors in order for them to better understand the Group's business performance and strategies. In line with the Shareholders' communication policy of the Company, the Company maintains an on-going dialogue with Shareholders and the investment community, in particular, through annual general meetings and other general meetings. At the annual general meeting, the Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries. The Board has considered the Shareholders' communication policy of the Company as described above and is satisfied that there are effective channels by which the Shareholders can communicate and raise concern with the Company.

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.

1 ABOUT THIS REPORT

1.1 Overview

This Environmental, Social and Governance (ESG) Report (the "**ESG Report**") aims to provide transparent disclosure of the Group's efforts and achievements in ESG during the financial year of 2023.

1.2 Fundamental Principle of Disclosure

The ESG Report has been prepared in accordance with the "mandatory disclosure requirements" and the "comply or explain" provisions under the ESG Reporting Guide (the "**ESG Guide**") contained in Appendix C2 of The Rules Governing the Listing of Securities on the Main Board on the Stock Exchange of Hong Kong Limited. The application of the reporting principles in the ESG Guide are presented below (Table 1):

Table 1. The Group's Response to ESG Reporting Principles

Reporting Principles	Definition in the ESG Guide	Responses of the Group
Materiality	The threshold at which ESG issues determined by the Board are sufficiently important to investors and other stakeholders that they should be reported.	ESG reporting issues identified through materiality assessment and that may have significant impact on the Group's investors and other stakeholders.
Quantitative	Key performance indicators (KPIs) with respect to historical data need to be measurable. The issuer should set targets (which may be numerical figures or directional, forward-looking statements) to reduce a particular ESG impact. In this way, the effectiveness of ESG policies and management systems can be evaluated and validated. Quantitative information should be accompanied by a narrative explaining its purpose and impacts, and by comparative information where appropriate.	Whenever feasible, this ESG Report provides quantitative information, such as KPIs and their standard, methods, assumptions, calculation tool, etc. with explanations. Please refer to Appendix 1 for detailed KPIs.
Consistency	The issuer should use consistent methodologies to allow for meaningful comparisons of ESG data over time.	This is the third ESG report of the Group and adopts the same disclosure scope and reporting methods to facilitate comparisons.

1.3 Reporting Scope

As with the other sections of the Annual Report, the reporting scope of the ESG Report covers the Company and its subsidiaries, namely the offices, R&D and production areas of the Group. For environmental KPIs, the reporting scope only covers Clover Zhejiang and Clover Sichuan.

Unless otherwise stated, the ESG Report covers the period from January 1, 2023 to December 31, 2023 (the "**Reporting Period**").

1.4 Report Information

Information and data used in the ESG Report were all collected from official documents and reports, internal statistics, and public information of the Group. The Board of Directors at Clover Biopharmaceuticals, Ltd. (the "**Board**") is committed to ensuring and is responsible for transparency, accuracy and completeness of the Report with no misstatements, misrepresentations or material omissions.

2 ESG GOVERNANCE

2.1 ESG Philosophy

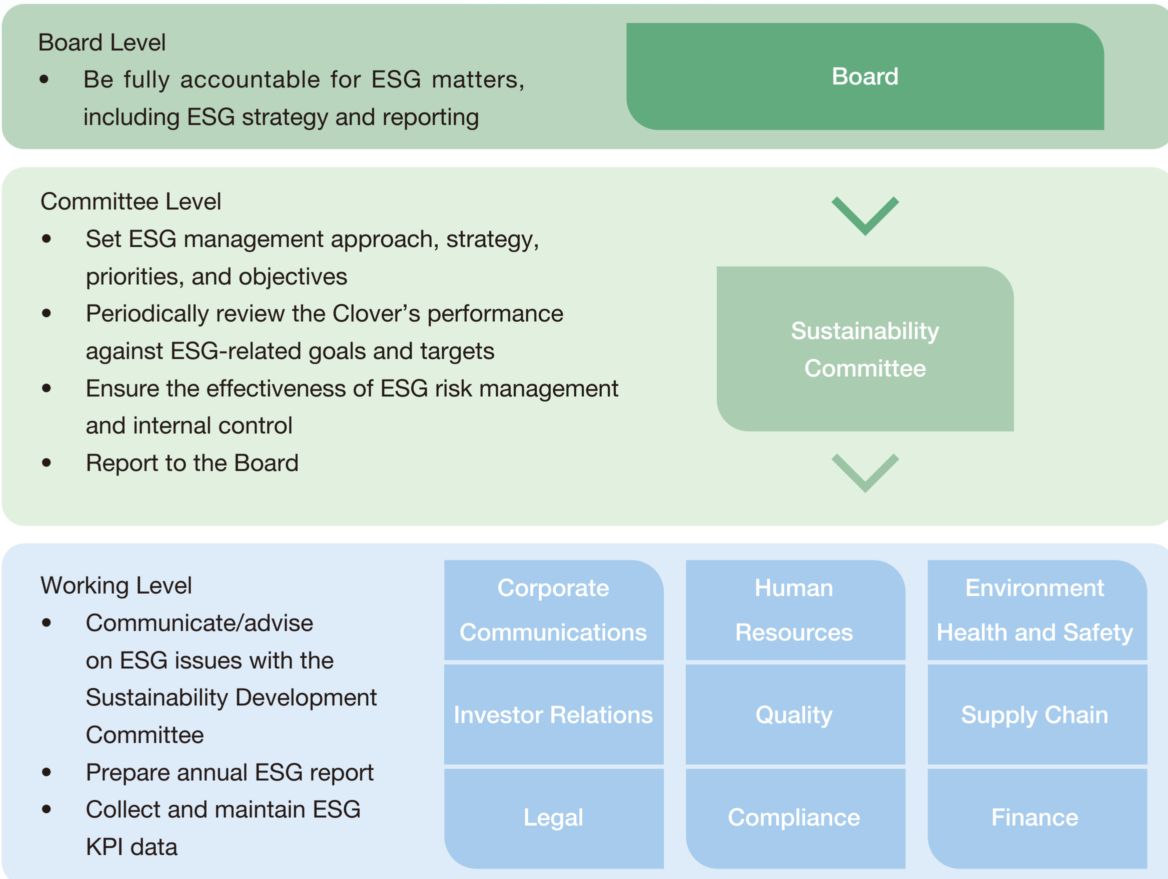
The Group advocates for and pursues sustainable practices and strongly believes that robust ESG governance is important for the long-term sustainability of the Company's operations and development. The Group takes ESG principles and performance targets very seriously and has integrated them into its daily operations and business objectives. The Group is also committed to actively communicating with stakeholders and continuously improving the sustainability of its performance.

Vision:	*to unleash the power of innovative vaccines to save lives and improve health around the world.*
Mission:	*to harness transformative science and global partnerships to bring innovative vaccines to populations worldwide.*

2.2 ESG Governance

To continue improving our decision-making, management and execution of ESG-related issues, the Group relies upon the following ESG governance structure, which includes roles for the Board, Sustainability Committee and other departments, during the Reporting Period (Figure 1).

Figure 1. The Group's ESG Governance Structure



Positioned at the highest level of governance, the Board is accountable for ensuring that procedures for assessing and managing ESG-related issues are well-established and efficiently executed. The Board authorizes the Sustainability Committee to conduct ESG strategic planning, review ESG-related policy, goals and targets, and oversee ESG risk management, including by communicating with stakeholders and collaborating with external ESG experts. The Sustainability Committee is accountable for the materiality assessment and benchmarks ESG goals against industry standards. The Sustainability Committee may supervise and review ESG-related performance executed at the department level to ensure effective ESG management.

The Group's long-term ESG vision reflects its commitment to supporting the six of the United Nation's Sustainable Development Goals (SDGs)[1] that are most closely related to its business strategy and ESG philosophy (Figure 2).

[1] https://sdgs.un.org/goals

Figure 2. Six SDG Priorities

Given our excellent performance in ESG reporting transparency and ESG indicators, we were awarded the title of "Top 20 Chinese Pharmaceutical Listed Companies in ESG Competitiveness in 2023" during the Reporting Period. In the future, we will continue to deepen the Group's sustainable development management, and fulfill our corporate responsibility mission.

2.3 Communication with Stakeholders

2.3.1 Stakeholder Identification and Engagement

The Group understands how important the support of all stakeholders is to its sustainable development. The Group values its communication with stakeholders, actively seeks to understand their ESG concerns and expectations, and provides timely feedback to them. The Group gathers opinions from key stakeholders through diversified communication channels and responds to their most important concerns.

Table 2. Stakeholder Identification and Engagement Plan

Key Stakeholders	Communication Channels	Issues of Concern	Responses
Investors & Shareholders	• Press release and announcement • Annual general meeting • Shareholder meeting • HKEX filings	• Sustainable investment value • Information disclosure • Corporate transparency	• Enhance operational efficiency and progress towards commercialization • Disclose important corporate information immediately
Employees	• Face-to-face communication • Training • Whistleblowing channel	• Employee training and development • Occupational health and safety • Employees' rights and interests	• Provide employee training • Create a positive, healthy and people-oriented work environment • Promote growth mindset
Customers	• Information disclosure	• Product quality and safety • Customer information and privacy protection	• Ensure product quality and safety through quality assurance departments and standard operating procedures • Safeguard customer information via stringent information technology security procedures
Government & Regulatory Institutions	• Conference • Policy consultation • Site visit	• Compliant operations • Industry development	• Implement policies and measures in accordance with laws • Participate in industry forums • Host onsite inspections

Key Stakeholders	Communication Channels	Issues of Concern	Responses
Suppliers	• Email • Business meeting	• Fair and open tender process • Win-win cooperation	• Apply strict procurement procedures • Establish sustainable and trustworthy relationships with responsible suppliers
Business Partners	• Email • Conference • Business meeting	• Industry development • Business integrity	• Establish meaningful partnerships for joint development opportunities • Maintain relationship with global organizations
Media	• News conference • Social media • Interview	• Transparent information disclosure • Fulfilment of corporate social responsibility	• Disclose information timely and accurately
Local Communities	• Social media	• Job creation • Health accessibility • Environmental sustainability • Climate change mitigation • Public welfare	• Create job opportunities • Provide equal access to the public • Establish Environmental, Health and Safety (**EHS**) Committees at applicable subsidiaries • Donations

2.3.2 Materiality Assessment

Based on the business development outlook, the Group has continued to communicate with internal and external stakeholders. The relative materiality of ESG-related issues for FY2023, as assessed by its stakeholders, is summarized below (Figure 3, Table 3).

Figure 3. Materiality Matrix for ESG Issues

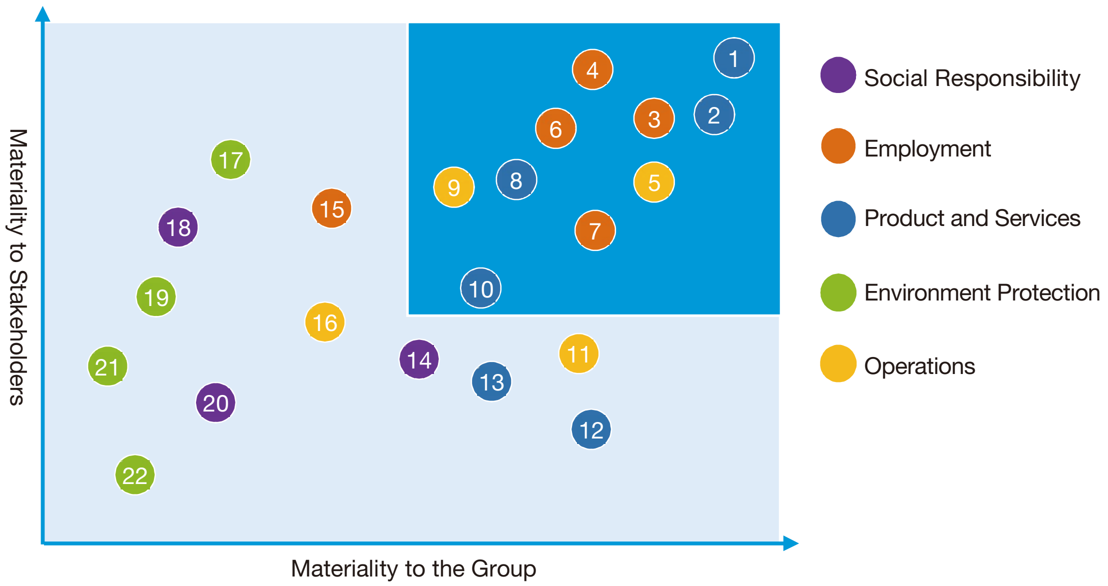


Table 3. Ranking of ESG Material Issues

Extent of Materiality	Ranking	ESG Issues	Extent of Materiality	Ranking	ESG Issues
Very Material	1	Product quality and safety	Material	11	Risk management
	2	Product innovation		12	Responsible marketing
	3	Occupational health and safety		13	Privacy and data protection
	4	Employee training and development		14	Health accessibility
	5	Business ethics and anti-corruption		15	Employment and retention
	6	Employee rights and interest protection		16	Supply chain management
	7	Employee benefits		17	Waste management
	8	Intellectual property protection		18	Promoting industry development
	9	Compliant operations		19	Use of resources
	10	Quality services		20	Community welfare
				21	Greenhouse gas emission
				22	Mitigation and adaption to climate change

3 PRODUCT LIABILITY

3.1 Comprehensive Quality Management

The Group is committed to providing safe and effective products to customers. It strictly abides by relevant laws and regulations. During the Reporting Period, the Group did not receive any incidents of non-compliance with relevant laws and regulations relating to the health and safety of products.

3.1.1 Quality Control and Review

The Group treats product quality as a top priority. Its Quality Manual references a series of biopharmaceutical industry standards, including but not limited to *Good Manufacturing Practice, the Drug Administration Law of the PRC, the Vaccine Administration Law of the PRC, and the World Health Organization (WHO) Good Manufacturing Practices*. Its Quality Control System (QMS) covers resource management, factories and facilities, manufacturing management, inventory and logistics and clearly specifies each related department's responsibilities and duties for quality control. The Group controls the product quality to the highest standard and ensures quality control processes are effectively conducted.

To further enhance product quality control and improve the performance of work, the Group established the Quality Control and Review Process that is aligned with industry standards including the *(ICH) Q10 Drug Quality Management System and the European Union Good Manufacturing Practice (EU GMP)*. The Group launched full scope evaluations to the applicability and effectiveness of its Quality Control and Review Process to ensure that its product quality meets industry standards. The Group also prioritized the identification and control of product quality risk. By identifying, evaluating and monitoring key risks based on the Product Quality and Risk Management Framework, the Group comprehensively controls product quality risks and makes timely decisions when unexpected or unforeseen cases occur.

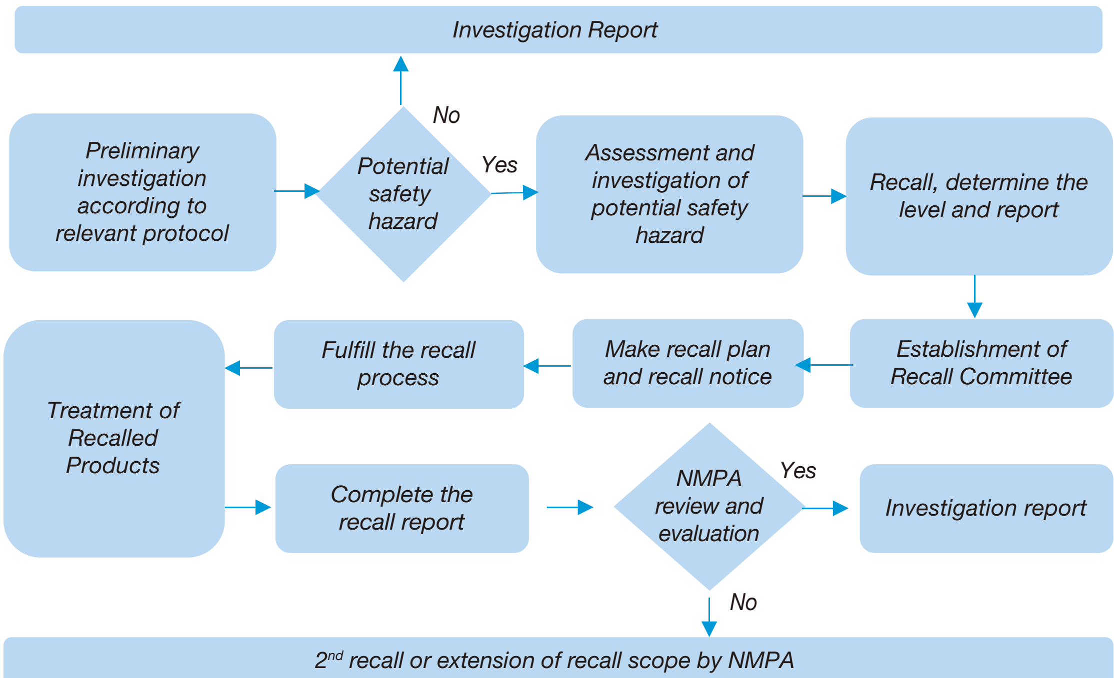
During the Reporting Period, we further updated our product quality management procedures, including the Quality Manual, the Product Quality and Risk Management Framework, the Employee Training Management Procedures and the Equipment Life Cycle Management Procedures. In order to provide safe and effective products to our customers, we comprehensively improved our quality management system, optimized product quality and risk management procedures, and strengthened the training of employees on relevant GMP regulations to ensure their competence for their respective roles.

With focus on the vaccine industry, we consider product quality and safety as our first priority. Our in-house commercial production base located in Changxing of Zhejiang Province has obtained China GMP inspection. Meantime, we have undergone a number of inspections including the Center for Drug Inspection of NMPA and the Zhejiang Drug Inspection Center. These inspections covered on-site inspection of drug registration, on-site inspection of drug GMP compliance, vaccine inspection, routine inspection and follow-up inspection, all of which we successfully passed.

3.1.2 *Complaints and Recall*

To further standardize our management process for compliant and recall, the Group continues to refine its established procedures such as the Customer Complaint Handling Procedures, the Product Recall Management Procedures, and the Product Quality Complaint Management Procedures. We further updated the Product Quality Complaint Management Procedures during the Report Period, to ensure our product quality complaint system and processes are fully effective in managing complaints. The Group may review and summarize complaint trends every six months to comprehensively understand the needs and expectations of populations which use its vaccines and continuously improve their experiences. The Group's Product Recall Management Procedure Flowchart is illustrated in Figure 4. During the Reporting Period, we did not receive any product and service related complaints.

Figure 4. Product Recall Management Flowchart



3.1.3 *Clinical Trial Activities*

The Group's clinical trial activities are conducted in compliance with clinical principles, including but not limited to the Good Clinical Practice, the *Declaration of Helsinki* and other applicable regulatory requirements. Its Oversight of Clinical Trial Management procedures controls the quality of clinical trial activities, clearly detailing responsibilities for supervision and related functions and ensuring effective implementation and documentation. The Group's clinical management systems are illustrated in Figure 5. The Group also follows its Investigational Products Oversight and Management procedures to regulate the use of investigational products in human clinical trials.

Figure 5. Clinical Management Systems

- Clinical Protocols
- Pharmaco-vigilance
- Complaint Investigation
- Site Qualification Visits Record
- Investigation Brochures
- Informed Consent

3.2 Research, Development and Innovation

The Group was committed to developing innovative vaccines and using transformative science for continuous innovation, with a view to making more diseases preventable with our vaccines and meaningfully reducing the burden of public health system. We continued to increase our investment in research, development and innovation, and fostered a robust team of research, development and innovation talents, which provides a solid talent support for our sustained innovative research and development and empowers our innovative development across all fronts. During the Reporting Period, our research and development investment was over RMB0.65 billion.

Innovation is the cornerstone of the Group, and we are committed to unleashing the power of innovative vaccines to save lives and improve health around the world. We have independently developed the unique Trimer-Tag platform for protein trimerization-based vaccine research and development, which is also the cornerstone of our source innovation. Trimer-Tag is the only technology platform globally for producing recombinant, covalently linked antigens utilizing a human-derived trimerization tag, and has been fully verified by SCB-2019 as a COVID-19 vaccine. Meantime, leveraging the Trimer-Tag vaccine research and development platform, we continued to deepen our presence in respiratory vaccines. Currently, we have a self-developed COVID-19 vaccine approved for use as well as an imported seasonal influenza vaccine, and we are the only Chinese company that has both commercial-stage seasonal influenza vaccine and COVID-19 vaccine booster.

We have developed a diverse pipeline for innovative research and development. In particular, our self-developed SCB-019 vaccine, a respiratory syncytial virus (RSV) vaccine candidate, has completed the preclinical development, and commenced Phase I clinical trials in December 2023, with further safety and immunogenicity results to be disclosed in the second half of 2024. At the same time, we are also developing a new-generation COVID-19 vaccine against the XBB.1.5 variant, aiming to provide enhanced protection for the elderly and people with underlying diseases. As at the end of the Reporting Period, the Group had a total of seven products/product candidates for fighting COVID-19, preventing influenza and other respiratory virus infections, and tumor treatment. Among them, SCB-2019 (CpG 1018/Alum) and AdimFlu-S (QIS) have been approved or listed for EUA and commercialized in China.

3.3 Legitimate Rights Protection

3.3.1 *Intellectual Property Protection*

The Group is committed to the protection of its intellectual property and other intangible asset. The Group has always adhered to the management philosophy of "unified leadership, centralized management, graded responsibility and individual responsibility" and established its Intangible Assets Management Policy with reference to applicable laws and regulations and the Corporate Internal Control Standard. The aforementioned policy establishes a clear division of responsibilities for the protection of intangible assets and a whole process management system covering topics such as acquisition and acceptance and daily management and preservation to continuously improve the management of intangible assets including patent, non-patent technologies and trademark.

The Group established a clear Intellectual Property (IP) management system. The Group's Legal Department is the centralized management department tasked with the protection of the Group's IP rights and is responsible for establishing procedures and policies, including those for identifying patentable inventions and filing trademarks. The IT Department is responsible for managing IT-related IP.

The Group also respects the IP rights of others and strictly requires that our employees not independently use third-party IP. The Group takes measures to identify third party rights and interests and improve the management of IP and intangible asset ownership to avoid infringing on the IP rights or other intangible assets of others.

3.3.2 *Responsible Marketing*

The Group strictly adheres to applicable laws and regulations including the *Advertising Law of the PRC* and the *Provisions on the Administration of Instructions and Labels of Medical Devices*. The Group also established the Packaging Development and Design Testing Procedure and regulations. During the Reporting Period, we updated the Artwork Design and Management Procedure to regulate package development and design for registration and commercialization. These procedures ensure that the packaging and design meet compliance requirements and do not mislead or misrepresent the product or make other irresponsible marketing statements and that stakeholders have access to truthful, fair, accurate, appropriate and timely information in product labels and advertisements.

Meantime, in order to ensure legal and compliant marketing practices and accurate information communication, we conducted pharmaceutical contract sales organization (CSO) compliance trainings during the Reporting Period, aiming to popularize the compliance values and compliance management system of the Group among relevant employees and CSOs and ensure that promoters understand their compliance obligations, contractual responsibilities and other legal obligations. Through the interpretation and analysis of typical cases, these trainings contributed to avoiding inappropriate statements in the marketing process and reducing potential compliance risks.

To ensure rigorous external communications, only authorized spokespersons may communicate on behalf of the Group with external organizations, such as the media, members of the investment community or government officials.

3.3.3 Privacy and Data Protection

The Group advocates for information safety and data protection through continuous improvement in its Data Protection Management System to enhance the data protection and management. The Group strictly conforms to the *Personal Information Protection Law of the PRC* and the *General Data Protection Regulation of the EU* and protects the privacy of personal information entrusted to it by its customers, employees, patients, business partners and other stakeholders. During the Reporting Period, we formulated the Personal Information Protection Policy and Personal Information Collection Procedures in accordance with relevant laws and regulations in order to enhance the management of privacy data security of our stakeholders, including customers, employees, patients and business partners, and to ensure that our workflow complies with the requirements of laws and regulations and industry standards. During the Reporting Period, the Group did not receive any incidents of non-compliance with relevant laws and regulations relating to the Privacy and Data Protection.

The Group instituted the Policy on Information Confidentiality Management to specify the responsibilities and duties for confidentiality management, and constantly enhanced data protection through measures including security training and promotion activities. The Legal Department is the centralized management department for data protection, establishes implementation rules for data protection and supervises data protection on timely manner to ensure the effective confidentiality management and data protection in the Group. The IT department also has dedicated data security personnel who oversee the safe storage and transfer of information. During the Reporting Period, the Legal Department collaborated with the IT department to sort and categorize relevant data, such as intellectual property data, and strengthened the protection of core information and data in a targeted manner, so as to continuously enhance the level of security management of information data and intangible assets.

The Group actively implemented management activities to raise awareness about privacy and data protection among employees. The Group set confidentiality obligations by signing confidentiality agreements with its employees. The Group also provides training to new employees so that they can understand the Group's requirements on safety and data protection to ensure all employees can help prevent any breach. In addition, the Group requires that third-party collaborators in activities such as joint venture, alliances, mergers and acquisitions, consulting and co-development sign confidentiality agreements to fully safeguard data protection and reduce the risk of data leakage.

4 RESPONSIBLE OPERATIONS

4.1 Business Ethics and Integrity

Ethics and integrity are at the foundation of the Group's corporate management. The Group strictly adheres to applicable laws and regulations on bribery, extortion, fraud and money laundering, including but not limited to the *Criminal Law of the PRC*, the *Company Law of the PRC*, *Foreign Corrupt Practice Act (FCPA)*, the *Bribery Act 2010*, and the *Anti-Unfair Competition Law of the PRC*. During the Reporting Period, the Group did not receive any reports or allegations against the Group or its employees in any of these areas.

4.1.1 *Compliance, Anti-Corruption and Anti-Bribery*

The Group has zero-tolerance with respect to bribery and corruption. To ensure the legal compliance of business activities and daily operations, the Group established the Anti-Bribery and Anti-Corruption policy in accordance with the International Organization for Standardization's Anti-bribery management systems (ISO 37001) and related laws and regulations. This policy clarifies the Group's compliance requirements and standards in prohibiting bribery and corruption, effectively contributing to the achievement of the goal of building a clean enterprise. At the same time, the Group also issued a Code of Ethics and Standards of Conduct (the "**Code of Conduct**"), which sets out legal and ethical standards of conduct for its employees, suppliers, agents, third party and consultants acting on behalf of the Group to prevent any form of corruption or bribery. During the Reporting Period, based on the continuous development of the Group in the commercial stage, we have formulated the Policy on the Interaction and Communication with Medical Workers and Professional Medical Institutions, which defines the requirements and regulations on a series of scenarios and processes including acquisition of expert services, entertainment, sponsorship, brand reminders and medical supplies. It provides detailed and comprehensive compliance guidance on commercial interaction and communication activities of the Group, further enhancing its compliance management capabilities.

In addition, in order to further strengthen the culture of compliance, the Group regularly conducts compliance training for all employees, with a focus on anti-bribery, anti-corruption, integrity and transparency. The Group also conducts various compliance advocacy activities, including publishing an internal compliance newsletter and sharing case studies and organizing group discussions, to ensure that each employee can fully understand the requirements of compliance management and further enhance their awareness of compliance.

ANTI-BRIBERY AND ANTI-CORRUPTION TRAINING

During the Reporting Period, the Group conducted group-wide anti-bribery and anti-corruption training. Intensive training was provided on anti-bribery and anti-corruption principles, risk identification, reporting channels and compliance duties, etc. The training enables all employees to implement compliance values and requirements and enhances compliance awareness in the Group.

INTERNAL COMPLIANCE NEWSLETTER

During the Reporting Period, the Group released internal compliance newsletters on a regular basis to continuously share up-to-date compliance information to employees and enhance compliance awareness in the Group. The content covers compliance news, compliance policy introduction, internal compliance activity preview and review, etc.

4.1.2 Whistleblowing Reporting Channels

The Group is fully committed to ensuring that its working environment is grounded in the principles of honesty, fairness and integrity. To encourage employees to report violations or potential violations of internal policies (e.g. the Code of Conduct) or laws and regulations, the Group developed the Reporting Concerns and Responding to Allegations procedure, which provides guidance on how to report concerns and how to respond. In addition, the Group's standard reporting procedure (see Figure 6) ensures that all reports can be effectively assessed, investigated and addressed in a timely way. The procedure also requires that full records shall be maintained for traceability.

Figure 6. Whistleblowing Procedure

The Group has compliance reporting channels and encourages all employees, customers, shareholders, suppliers and other third parties to speak up and raise concerns. Whistleblowers can report anything unethical or potentially harmful in 24 hours/day through a variety of channels such as e-mail, website, and compliance hotline (see the Group official website for details). Additionally, the Group contracted with SAFECALL, a whistleblowing service provider, for reporting any suspected behaviors anonymously.

4.2 Sustainable Supply Chains

The Group strives to work closely with supplier partners to achieve mutually beneficial cooperation and continuously optimizes the procurement process and supplier management system to strictly control procurement quality and improve supplier management efficiency. At the same time, the Group integrates the concept of sustainable development into the whole process management of the supply chain. The Group prioritizes the use of environmentally-conscious suppliers and service providers once the quality and price conditions are met.

4.2.1 Supplier Management Procedures

To ensure fairness and transparency in the procurement process, the Group established management policies, such as the Supplier Approval Standard Operating Procedure (SOP), the Procurement SOP (Procure-to-Pay), and the Service Provider Management SOP, to strictly standardize tendering procedures and clarify responsible person and responsibilities. The policies are also intended to ensure that all products and service providers are selected in an open and fair manner. The Group's Supplier Management SOP is shown in Figure 7.

Figure 7. Supplier Management Procedure

Initiating purchasing and tendering request
Demand Departments with tendering needs for new products, services, or production sites submit request forms to the Procurement Department.

Selecting and verifying qualified suppliers
The Procurement and Quality Control ("QC") Department evaluates potential suppliers on certification, capabilities, quality control systems, relevant experience, etc. through Due Diligence Questionnaires.

Auditing on suppliers
Adhering to the Group's Supplier Audit Management Procedure, the Quality Assurance ("QA") Department conducts on-site audits for certain suppliers, aiming to identify and reduce procurement risks.

Assessing and approving qualified suppliers
The QC Department and Demand Departments regularly review various aspects of products/ service quality to form a pool of qualified preferred suppliers.

4.2.2 Risk Management of Supply Chains

The Group continues to strengthen risk management and control in the supply chain and to plan for addressing potential risks in a timely way. Using specific due diligence questionnaires, the Group conducts risk assessments on the supply chain to identify and evaluate potential risks across multiple dimensions such as compliance, financial soundness, quality, environmental health services, supply chain management and corporate social responsibility. Moreover, the Group conducts special audits on suppliers which may have negative environmental impacts and may have a negative impact on the quality and safety of the Group's products to reduce supply chain risk and ensure the quality and safety of products. During the Reporting Period, the Group audited 17 suppliers, and the audit results showed they were all compliance with GMP standards.

At the same time, to cope with potential adverse effects of extreme weathers on the supply chain, the Group has adopted a series of risk management measures to ensure business continuity and enhance the risk resilience of the supply chain. In order to regulate emergency operation standards for supply chain transportation emergencies as well as prevent and reduce risks and losses resulting from accidents and disasters, we have formulated relevant policies and systems, including the Emergency Operation Procedures for Vaccine Transportation of Clover Biopharmaceuticals, Ltd. and the SAP Business Continuity Plan – Guidance. Furthermore, we will select suppliers with robust infrastructure and strong disaster resilience capabilities to further mitigate the impact of climate risks.

4.2.3 Supplier Quality Management

The Group attaches importance to quality control in procurement and consistently maintains high standards for the products and services provided by suppliers, especially those which meet the relevant requirements of Good Practices ("**GxP**")[2]. The Group's *Procedure for Quality Assurance Agreement* specifies its quality terms to make sure there is alignment on the activities, responsibilities and obligations of both parties. At the same time, the Group tailors *Quality Agreements* for use with different types of suppliers and, at a minimum, these agreements define the responsibility and requirements for each party on personnel, premises, equipment, documentation, storage and transportation, product certification, complaints, returns and suspected falsified products and market returns and product recalls and disposal. Where applicable, the *Quality Agreements* may also include the procedures for product testing, quality assurance and quality control.

In addition, the Group has formulated the Supplier Complaint Handling Procedures to regulate the management of supplier complaints and collect relevant data. Meantime, we collect quality-related data from our suppliers of raw materials, auxiliary materials and packaging materials, and conduct data analysis and prepare an annual supplier review report, so as to implement targeted optimization measures and enhance the supplier quality management.

4.2.4 Efforts in Clean Cooperation

The Group continues to focus on building a clean supply chain and requires all suppliers to comply with its Anti-Bribery and Anti-Corruption policies and the Code of Conduct or equivalent. In addition, the Group established a *Third Party Due Diligence Process* for engaging a third party to proactively identify and prevent corruption risks.

5 TALENT MANAGEMENT

The Group believes that talent is the source and driving force of enterprise development. The Group is committed to building a compliant, safe, equal, diverse and inclusive workplace. Through a sound talent management system, the Group assists employees' growth in such a workplace environment and promote the continuous development of the Group at the same time.

5.1 Employment and Labor Standards

The Group strictly abides by national and regional employment laws and regulations that are applicable at each of its operating locations. They include but are not limited to the *Labor Law of the PRC*, the *Labor Contract Law of the PRC*, the *Implementation Rules of the Labor Contract Law of the PRC*, and the *Social Insurance Law of the PRC*. During the Reporting Period, there was no reported violation of labor laws and regulations.

2 The term GxP is an umbrella term for "good practice" guidelines and regulations. "x" indicates a specific field: clinical (GCP), manufacturing (GMP), distribution (GDP), laboratory (GLP), agricultural (GAP), etc. Although the requirements are similar across countries, there is no single regulatory entity or governing body, and each country has its own guidelines and regulators. GxP regulations include those listed in US FDA CFR Title 21 Part 11 and EU EudraLex Volume 4 – GMP Guidelines Annex 11.

To promote a safe, open and honest corporate culture, the Group maintains an Employee Handbook, which specifies the Group's management requirements for recruitment and onboarding, comprehensive compensation, performance management, learning and development, employee code of conduct, etc. To ensure that the rights and interests of employees are taken into account in the Employee Handbook, the Group set up an Employee Handbook Co-creation Committee, with employee representatives participating in the revision of specific terms and conditions. This committee routinely revisits the content and explores ways to enhance its relevance to the Group's evolving needs. During the Reporting Period, the Group launched the Employee Handbook training for all employees, aiming to further enhance their understanding of the relevant operational and behavioral guidelines through on-the-job training, and to fulfill the Group's commitment to establish a safe workplace.

5.1.1 Talent Recruitment

The Group implemented the Recruitment SOP to standardize the recruitment process and ensure that all candidates can be evaluated and assessed fairly and equitably. The Human Resources Department ("**HR Department**") is responsible for developing, implementing and updating recruitment-related policies and procedures, and cooperating with various business departments to carry out recruitment in accordance with job responsibility, personal qualities, skills, education background, and experience.

At the same time, the Group are committed to creating a diverse, inclusive, equal and open workplace and continuously promotes the recruitment of diverse talent, providing equal employment opportunities for people across races, ages, colors, genders and international backgrounds. The Group also proactively empower people with disabilities by creating positions that give full play to the talents of these people every year, depending on the needs of our business development, in order to facilitate the employment of people with disabilities. At the end of the Reporting Period, the Group's employees lived across 51 cities in 10 countries, 54% of current employees and 44% of new employees were women. During the Reporting Period, five people with disabilities were employed.

5.1.2 Employee Rights and Interests Protection

The Group guarantees employees' rights and interests and creates a work environment free of discrimination and harassment. Decisions on recruitment, dismissal, employment, compensation, performance appraisal and promotion are based solely on employees' competence, knowledge, aptitude and work performance. Additionally, the Group also has reporting channels (talk, email, website and hotline) that employees can use to directly report harmful activities.

The Group strictly prohibits child labor. The Group conducts background checks and verifies the identity of every job applicant by examining identification cards, education certificates and other relevant identification documents. If any child/forced labor, it will be found during this process and eliminated. Overtime is not encouraged and shall be approved by line managers. For overtime work with approval, the Group shall pay overtime wages or arrange for rest in accordance with relevant laws. During the Reporting Period, the Group did not have any cases of child labor or forced labor.

5.1.3 Communication and Welfare

During this Reporting Period, the Group established a CEO Mailbox as another communication channel employees can use to directly share constructive feedback on the company. At the same time, the Group encourage our employees to share their ideas and suggestions conducive to the development of the Company through channels such as websites and mobile platforms and also organize departmental open days to promote the flow of information through cross-departmental interactions. The Group greatly values this feedback and believes that having a diversified set of channels for receiving them can support employees' sense of belonging, mutual respect and happiness. In addition, the Group actively conducted an employee canteen satisfaction survey and other activities to better understand employees' opinions and suggestions on food options at the facility canteen and sought to address the feedback as much as possible.

The Group offers a comprehensive benefits program for its employees. In addition to statutory benefits, the Group provides employees with supplementary benefits such as commercial insurance, holiday gifts and birthday allowances. The Group also provides employees with transportation, communication, lunch and other allowances, as well as the company welfare leave and mother and baby rooms and other caring benefits. At the same time, the Group establishes committees for organizing interest groups in multiple business operation sites and holds annual celebrations for employees around the world, and also establishes employee clubs and encourages employees to actively engage in social activities, such as the Curious Club and the Funky Hi-Show Sharing Club to enrich the Group's cultural life and create a positive working atmosphere.

EMPLOYEE SPRING OUTING

During the Reporting Period, the Group organized spring outing activities for our employees and held interactive events such as tug-of-war. Through the spring outing activities, the Group enabled employees to feel the Group's corporate care and further strengthened employee cohesion.

CLOVER DAY

The Group has designated November 5 of each year as "Clover Day." "Clover Day" is a reminder of past achievements and a call to continue efforts to improve global health and well-being. All Clover employees receive extra leave and can apply to use the leave during the year according to their needs.

In 2024, the Group will further strengthen employee care and improve employee communication mechanisms through employee engagement, cross-departmental cooperation and enrichment of employee health activities, so as to create a safer, more equal, more diverse and more inclusive workplace for our employees.

5.2 Employee Development and Training

As a people-oriented company, the Group attaches importance to the growth and development of its employees and is committed to providing them with resources they need to realize their potential. The Group has established a sound performance management system to evaluate employee performance and recognize individual contributions. Furthermore, the Group created a standardized training management system and developed diversified training programs on an ongoing basis to help employees achieve their career goals.

5.2.1 Talent Performance and Remuneration Management

The Group uses a performance management and evaluation system to recognize employee work performance. The Group's performance management consists of three parts: goal setting, ongoing feedback and review, and performance review and evaluation. The Group also provides improvement plans for employees who have not met expectations to enhance and improve their self-performance. During the Reporting Period, the Group provided 2023 goal-setting training to employees to help them understand the process of goal-setting and help them grow better.

- **Objective setting:** Employees and line managers jointly formulate goals and related action plans, employees set goals with Objectives and Key Results (OKR) goal management tools, which helps them articulate the key paths to achieving their goals and reaching consensus with leaders and teams;
- **Ongoing feedback and review:** Employees and line managers regularly review progress towards goals and the direct manager gives timely feedback based on ongoing work. In addition, the Group organizes 360 feedback in the middle of the year, which promotes the self-understanding and growth of employees through employee nomination, experience approval, and anonymous feedback;
- **Performance review and evaluation:** Review and evaluation of employee performance and contributions is conducted annually and forms the basis for creating incentives and promotion.

The Group provides employees with comprehensive and competitive remuneration packages based on market competitiveness and impartiality. In addition to the base salary, the Group's annual bonus plan, which is based on factors such as business and personal performance, motivates employee performance. The Group also offers long-term incentive programs to share the Group's performance growth with employees through an equity incentive mechanism, which promotes the growth of the employees with the Group while ensuring that the interests of individual employees are aligned with the long-term interests of the Group.

5.2.2 Employee Training

Adhering to the management principle of "institutionalization, standardization and systematization," the Group developed the Training Management Policy that standardizes training and content design and clarifies training responsibilities, thereby comprehensively promoting training management.

To continuously improve the professional and knowledge skills of our employees, the Group provides a variety of training programs by leveraging various internal and external resources to comprehensively help employee development. During the Reporting Period, the Group actively carried out several training programs to employees. The details are as follows:

NEW EMPLOYEE ORIENTATION:

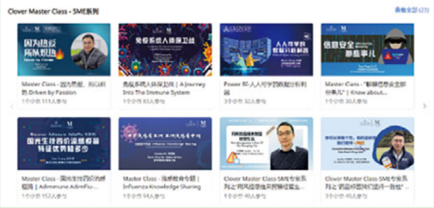
The Group provides detailed on-the-job training for new employees to help them adapt quickly to working life. During the Reporting Period, the Group customized new employee training courses for commercialization team to facilitate the rapid development of new employees.

LEADERSHIP TRAINING:

The Group focuses on the growth and long-term development of middle and senior managers. During the Reporting Period, the Group focused on the growth and development of young leaders by launching the Global Leadership Forum 2023 campaign and providing management skills training for manager-level employees, including "Manager 101 Bootcamp" and other programs.

GENERAL COMPETENCY AND PROFESSIONAL KNOWLEDGE SHARING:

The Group has launched general competency and professional knowledge learning resources, such as Master Class, CloverTalks, Lunch & learn, Growing Minds Series Learning, and Infectious Disease Series Learning, to accelerate the growth of employees.



EMPLOYEE CROSS-DEPARTMENTAL SKILLS TRAINING:

The Group values the diversity of its employees and strives to encourage collaborative development across its global workforce. Therefore, the Group provides its employees with cross-departmental learning resources and diversified skill training, including anti-corruption and anti-bribery compliance training, pharmacovigilance-related training, and so on.

In 2024, the Group will continue to promote training programs to provide learning opportunities for employees, focusing on new hires, commercialized team skills enhancement, professional skills enhancement and leadership, in line with business development needs.

5.3 Employee Health and Safety

The Group strictly abides by the *Safety Production Law of the PRC*, the *Code of Occupational Disease Prevention of the Group PRC*, the *Regulation on Work-Related Injury Insurance* and other relevant policies. The Group continues to make every effort to ensure a safe workplace that protects employees from occupational hazards.

5.3.1 Safe Production

The Group takes safety production matters seriously. Relevant policies such as the *Risk Assessment Management Procedure*, the *Corporation Entity Responsibility System on Safety Production*, and the *Post Responsibility on Safety Production* stipulate a comprehensive set of safety management processes and responsibilities and ensure that the Group's safe production management system is sound. The Group also defines the safe production responsibilities of employees in the Employee Handbook to ensure broad awareness.

The Group actively promotes all aspects of safe production management:

- The Group established an EHS committee, an EHS executive committee, and a dual governance system for grading risk controls and hidden dangers inspections. The EHS committee also developed and implemented special corrective measures and trainings and developed detailed safety guidelines to ensure safe production under emergent circumstance;

- The Group formulated a series of SOPs, including but not limited to the Carbon Dioxide System Maintenance SOP, the Nitrogen System SOP, the Carbon Dioxide System SOP, to standardize production operations and reduce accidents;

- Furthermore, the Group actively carries out safety hazard investigations to continuously and proactively identify danger spots and strengthen security risk control. During the Reporting Period, the Group carried out routine inspections of fire safety equipment to control fire safety risks and ensure fire safety.

5.3.2 Occupational Health and Safety

To protect the occupational safety and health of employees, our Group developed and implemented the Occupational Health Management Policy (the "Policy") with reference to relevant laws and regulations such as the *Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases*, the *Law of the People's Republic of China on the Administration of Pharmaceuticals* and the *Technical Regulations for Occupational Health Supervision (GBZ188-2014)*, which defines safety and health risk factors, describes the responsibilities of safety and health management and stipulates occupational safety management process. In accordance with the requirements of the regulations and the Employee Handbook, the Group provide coverage for employees to receive an annual health assessment and arrange pre-job, on-the-job and off-the-job health check for employees in the positions having potential occupational hazards.

During the Reporting Period, the outcomes of occupational safety and health management:
✓ 0 safety and occupational health related accidents/cases
✓ 100% EHS employees holding relevant machine and equipment operator certificates
✓ 100% attendance for EHS employees (at new employee and special trainings)
✓ 100% usage of personal protective equipment
✓ 100% safety responsibility fulfillment at all levels

To strengthen safety and health management, the Group provides employees with personal protective supplies and equipment such as work clothes, insulating shoes, protective glasses, earplugs, dust masks, and gas protection equipment. The Group also continues to improve our management of safety symbols. The Group also provides employees at all levels with training on safe production, workshop safety production rules and regulations, and post operation safety procedures. For those in special positions, the Group conducts safety trainings, such as fire safety, hazardous waste management, special equipment and special operations. During the Reporting Period, the Group conducted a wide range of training activities, such as training on special operation certificates, specialized training on chemicals, training on Traffic Safety Month, and training on Red Cross ambulance service, covering a total of 1,119 employees, to enhance the overall awareness of health and safety management among employees.

Red Cross Ambulance Training

In addition, the Group established a Chemical/Biological Emergency Response Unit and a Volunteer Fire Team and carry out comprehensive and special emergency drills to ensure timely response to unexpected incidents. During the Reporting Period, the Group organized a number of activities, including fire emergency drills, to enhance the emergency response capability of employees.

Fire Emergency Drill Activity

We pay attention to the health and safety of our office environment. We carefully select office decoration materials that are safe for human health, provide ergonomic desks and chairs, employ fresh air systems in our offices, and monitor the air quality of the office space in real time, thus creating a healthy and safe office environment for our employees. Meantime, in order to help our employees manage and alleviate negative emotions and psychology in a scientific way and to approach both work and life with a positive mindset, we organized a range of activities to improve their physical and mental well-being, including providing mental health communication lectures and offering heatstroke prevention supplies and cooling drinks. We also arranged our employees to receive vaccinations, so as to foster a safe workplace and protect the physical and mental health of our employees.

6 ENVIRONMENTAL PROTECTIONS

6.1 Environmental Management

The Group is committed to green development. It strictly abides by environmental laws and regulations that are applicable to our operations, including but not limited to the *Environmental Protection Law of the PRC, Regulations on the Administration of Construction Project Environmental Protection* and the *Law of the People's Republic of China on Environmental Impact Assessment*. The Group endeavors to mitigate the negative environmental impact of its daily operations.

In the Employee Handbook, the Group clearly states requirements for environment protection, including for handling liquid waste and chemical reagents appropriately and conserving energy and resources. During the Reporting Period, the Group was not aware of any violation relating to environmental protection.

The Group's EHS committee established the EHS Organizational Structure & EHS Committee System and Administration Rule of "Three Violation Behaviors," clearly specified the administrative organization overseeing environment protection to avoid any violations, and signed EHS commitment letters with each responsible party to ensure environment protection goals and responsibilities are executed in practice by relevant departments and individuals.

The Group consistently improves the Group's governance over environment protection and has fulfilled all of its environmental commitments, including for pollution monitoring, environmental risk control, and emergency management capabilities:

- **Strengthen pollution monitoring:** The Group performed ongoing environmental monitoring, evaluated environment protection effectiveness, and ensured compliance with pollutant discharge requirements. During the Reporting Period, a qualified third party was engaged to conduct the environmental inspection on a regular basis. Their results showed that the discharge of wastewater, gas and noise align with national standards.

- **Reinforce environmental risk control:** According to requirements for environmental management under ISO 14001, the Group actively carried out environmental risk assessment to identify environmental risks in manufacturing, R&D and laboratory activities and to formulate targeted measures for improving risk prevention and control, such as increasing the frequency of regular checks, special trainings and rehearsals.

- **Enhance environmental emergency response capabilities:** The Group established policies such as the *Action Plan for Environmental Emergencies* and routinely conducted drills to improve our Group's emergency response capabilities.

In response to the PRC's "carbon peak and neutrality" target, the Group established voluntary, quantitative "sustainable development objectives" in 2022 and clarified its development and action plan for energy saving, emission reduction, and resource use. During the Reporting Period, the Group has continued to implement these plans while also strengthening its overall management of environmental-related projects and targets.

Figure 9. Sustainable Development Objectives and Action Plans for Voluntary Reduction of Environmental Impacts at Clover Zhejiang

Objective	Action Plans
Reduce air and carbon emissions	◆ Developed the Greenhouse Gas Emission SOP to improve management of greenhouse gas ("**GHG**") emission ◆ Established a refrigerant use policy to promote the use of carbon-friendly materials ◆ Conducted cultural activities and trainings to raise EHS and environment protection awareness among employees
Reduce waste	◆ Advocated for the use of online office systems, such as the Document Management System ("**DMS**"), to save paper ◆ Reduced the production of hazardous waste and entrusted qualified third-party waste management entities to properly handle waste
Reduce electricity consumption	◆ Formulated and implemented an Emergency Energy Conservation Plan and tracked progress ◆ Installed additional watt-hour meters to acquire more accurate data for setting future numerical targets
Reduce water consumption	◆ Developed and implemented an Emergency Water Conservation Plan and tracked progress ◆ Conducted quarterly thematic activities to strengthen employees' awareness of water-saving approaches ◆ Installed more water meters to acquire more accurate data for setting future quantitative targets

6.2 Responding to Climate Change

6.2.1 Resilience to Climate Change

Responding to climate change is a core component of the Group's sustainable development strategy. The Group focuses on reducing the impact of climate change on the Group's operations and initiated strategies to strengthen the Group's resilience to current and future risks.

In addition, the Group actively improved its equipment management and set up a back-up system to guarantee stable operations. The Group are always aware of the risks associated with climate change and have established the *Comprehensive Emergency Response Plans and Measures* during the Reporting Period, which specifies the emergency response mechanism in case of extreme weather conditions such as typhoons and floods, so as to strengthen the Group's risk response level in an all-round manner.

In the future, the Group's EHS committee will be responsible for the dynamic assessment and reporting of possible climate change risks and impacts, and for preparing targeted countermeasures in a timely way.

6.2.2 *Energy Saving and Carbon Reduction*

The Group actively explores opportunities to improve its energy efficiency and reduce its emissions, some of which it has integrated into its management and operations.

The Group formulated the Work Plan of Energy Saving & Carbon Reduction and established a designated leadership work stream to oversee its implementation, perform statistical analysis of energy consumption, and evaluate the effectiveness of energy saving and carbon reduction.

To improve energy efficiency, the Group requires that the temperature of the air-conditioning room should not be set below 26 degrees Celsius in the summer and should not be set above 20 degrees Celsius in the winter. It also requires that doors and windows should be closed when the air-conditioning is running. Furthermore, the Group requires that low-fluorine refrigerants are used in the air conditioning and refrigeration systems and regularly inspect air-conditioning systems and other equipment to promptly discover and solve problems such as refrigerant leakage to ensure efficient use of the refrigerants, thereby reducing GHG emissions.

In addition, the Group actively arranged activities and events to promote energy saving and carbon reduction concept. The Group promoted energy saving and carbon reduction strategies among its employees. For example, on World Earth Day, the Group provided its employees with multiple practices, such as adopting low-carbon travel, limiting us air-conditioning, and disconnecting electronic devices when not in use, and practical suggestions for implementing them.

6.3 Environmental Impacts

6.3.1 *Air Emissions*

The Group implemented the Our *Emissions to Air Management guidelines and Our Operating Procedures for Comprehensive Treatment of Solid, Liquid, and Gaseous Wastes* to help reinforce the management of air emissions by identifying all exhaust emission points and detailing procedures for exhaust gas supervision and evaluation.

To reduce the adverse impact to the environment, the Group also installed an exhaust filter to treat the exhaust gas from the biological safety cabinet in the microbiology laboratory before discharging. In addition, organic exhaust gas emission sources are sealed and packaged to reduce volatilization during usage.

In addition, the Group installed carbon absorption equipment that purifies the exhaust gas before discharge to reduce the adverse impact to the environment. Photo-oxygen catalytic equipment is also used to decompose and oxidize industrial exhaust gas, with exhaust gas degraded into low molecular compounds, such as water and carbon dioxide. The treated gas is then discharged through the exhaust pipe with lower environmental impact. To further strengthen the management of air emissions, the Group also engaged a qualified third party to regularly inspect air pollutants to ensure compliance in air emissions.

6.3.2 Waste Management

The Group's, *Waste Management and the Operating Procedures for Comprehensive Treatment of Solid, Liquid and Gaseous Wastes policies* help ensure that hazardous waste is stored properly by specifying processes for waste identification, collection, storage, transportation, etc. During the Reporting Period, the Group further optimized the *Waste Management* in accordance with the actual management operations to strengthen the Group's waste management.

The Group adopted measures to recycle or reuse recyclable waste. The Group hands over non-hazardous waste to the municipal sanitation department for unified removal and has engaged a qualified third-party treatment company to dispose of hazardous waste. The Group also carried out closed-loop control during processes for temporary storage, transshipment and disposal, and endeavored to mitigate risks of hazardous waste leakage. At the same time, we have set up a backup waste disposal program to ensure timely and effective treatment of waste and reduce environmental risks by establishing a backup waste disposal contractor.

6.3.3 Discharge of Wastewater

To ensure compliance, the Group continuously enhanced its management of wastewater discharge and performs regular inspections. The Group also actively explored water saving opportunities, analyzed water usage, and improved water use efficiency. During the Reporting Period, the Group did not experience any issue with sourcing water.

The wastewater generated from daily operations is mainly industrial wastewater, domestic wastewater and rain. The Group's *Water Management* policy clearly states rules for wastewater discharge and requires continuous monitoring of wastewater to make sure practices are in full compliance with national laws, regulations and standards. The wastewater discharged is pretreated and then discharged into the municipal sewage treatment plant. To further enhance the management of wastewater discharge, the Group arranged regular water sampling from the catch basin during the Reporting Period to identify wastewater leakage and address flow issues on a timely basis.

Water conservation remains one of the Group's priorities in environmental protection. To make full use of water resource, the Group posted water-saving notices at water sources and built a cooling pool and a collection tank for storage of recycled water for road cleaning.

7 SOCIAL RESPONSIBILITY

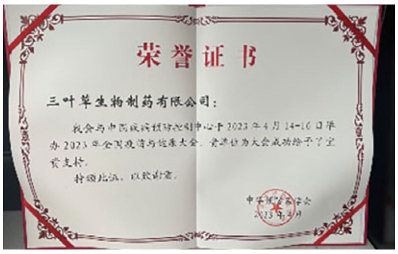
Since its establishment, the Group has remained steadfast in its dedication to both scientific innovation and equitable access, with the goal of delivering safe, high-quality and effective vaccines for China and the world.

> ***Clover insists on source innovation and focuses on the field of respiratory vaccines, hoping to prevent more respiratory infectious diseases with high-quality vaccines, helps reduce the burden of public health, and contributes to the construction of a healthy China with the power of local innovation!***
>
> ***Joshua Liang, Chief Executive Officer and Executive Director of the Company***

7.1 Helping Improve Health Around the World

Relying on our self-developed, unique Trimer-Tag platform for protein trimerization-based vaccine research and development, we continue to deepen our presence in respiratory vaccines, and stay committed to realizing the vision of "unleashing the power of innovative vaccines to save lives and improve health around the world". In February 2023, we launched a self-developed COVID-19 vaccine as a booster shot, and entered into an exclusive agreement with Adimmune Corporation in respect of the commercialization of the quadrivalent seasonal influenza vaccine in China. In May 2023, we announced a commercial partnership with Keyuan Xinhai (Beijing) Medical Products Trade Co., Ltd., to maximize the accessibility of the quadrivalent seasonal influenza vaccine in China, with a view to enhancing the protection for vulnerable and susceptible populations during the influenza season.

Meanwhile, we actively participated in industry summits and related events to jointly promote industry development. During the Reporting Period, we participated in a series of industry events, including International Vaccine & Biotech 4.0 Forum, the 2023 National Vaccine and Health Conference, the 2023 Biopharmaceutical Industry Conference, the 19th Western China International Fair, the 4th Vaccine Innovation Forum (VIF) World in 2023, the 21st Century Healthcare Industry Innovation Leadership & the First China Healthcare Social Work Exchange Conference, and the 2nd Global Novel Vaccine Research and Development Summit. We actively responded to global vaccine and prevention plans, conducted academic exchanges with many vaccine experts, and fostered dialogues with peers for potential strategic cooperation to promote vaccine research and development, thus contributing to building a healthy China and protecting the health of the public.



Certificate of Honor awarded by Chinese Preventive Medicine Association

7.2 Addressing Unmet Medical Needs

The Group is also developing a portfolio of innovative and potential best-in-class vaccine candidates designed to address the medical needs of vulnerable and susceptible populations, particularly the elderly and children. In the future, the Group will continue to focus on respiratory vaccines, and commit itself in building a leading respiratory vaccine portfolio. We will prioritize the development of respiratory syncytial virus (RSV), pneumonia and next-generation seasonal influenza vaccines, so as to enhance the respiratory immunity of vulnerable and susceptible populations. Meantime, we will continue to address the demand for children's vaccines, with a particular emphasis on developing vaccines for enterovirus A71 (EV71) (the primary pathogen responsible for severe cases and fatalities of children with hand, foot and mouth diseases) and DTaP (i.e. diphtheria, tetanus and pertussis, aiming to provide comprehensive protection for children.

APPENDIX 1: ESG QUANTITATIVE PERFORMANCE[3]

Environmental Aspects

KPIs[4]		Unit	2023
Emissions			
A1.1	Nitrogen oxides emissions	KG	3.11
	Sulfur oxide emissions	KG	0.06
	Particulate matter emissions	KG	0.27
A1.2	Total GHG emissions (Scope 1+ Scope 2)	Tonne CO2e	18,092.58
	Total GHG emissions intensity	Tonne CO2e/ Person	46.75
	GHG emissions[5] (Scope 1)	Tonne CO2e	12.57
	GHG emissions[6] (Scope 2)	Tonne CO2e	18,080.01
A1.3[7]	Total hazardous wastes produced	Tonne	96.52
	Total hazardous wastes intensity	Tonne/Person	0.25
A1.4	Total non-hazardous wastes produced	Tonne	13.92
	Total Non-hazardous wastes intensity	Tonne/Person	0.04

3 Unless otherwise specified, our Group's environmental KPIs covers the research, production and office areas of the Zhejiang Clover and Sichuan Clover.

4 Unless otherwise specified, intensity values of environmental KPIs are calculated based on the total number of employees at Sichuan Clover and Zhejiang Clover in 2023.

5 GHG emissions (Scope 1) come from the combustion of fuel in stationary sources (diesel and petrol).

6 Greenhouse gas emissions (Scope 2) come from the consumption of purchased electricity and steam at Sichuan Clover and Zhejiang Clover. According to "Appendix 2: Reporting Guidance on Environmental KPIs" ("**Appendix 2**") of "How to prepare an ESG Report?" issued by The Stock Exchange of Hong Kong Limited, the greenhouse gas emission factors of electricity used at Sichuan Clover and Zhejiang Clover refer to the "Baseline Emission Factors of China's Regional Power Grids for Emission Reduction Projects in 2019 (《2019年度減排項目中國區域電網基準線排放因數》)" published by the Ministry of Ecology and Environment of the PRC on 29 December 2020, while the greenhouse gas emission factors of steam used at Zhejiang Clover refer to the "Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions in Enterprises in Other Industries (Trial) (《工業其他行業企業溫室氣體排放核算方法與報告指南(試行)》)" published by the National Development and Reform Commission of the PRC on 6 July 2015.

7 The scope of disclosure of hazardous waste is defined according to the "Directory of National Hazardous Waste (2021 edition)《國家危險廢物名錄》(2021版))" published by the Ministry of Environmental Protection of the PRC.

Use of Resources		Unit	2023
A2.1	Total energy consumption[8]	’000 kWh	28,814.82
	Total energy intensity	’000 kWh/Person	74.46
	Non-renewable fuel (direct) consumption	’000 kWh	49.52
	Petrol consumption	’000 kWh	43.45
	Diesel consumption	’000 kWh	6.06
	Purchase of energy (indirect) consumption	’000 kWh	28,765.31
	Electricity consumption	’000 kWh	16,528.31
	Steam consumption	’000 kWh	12,237.00
A2.2	Total water consumption	m^3	199,229.49
	Total water consumption intensity	m^3/Person	514.80
A2.5	Total Packaging material used for finished products[9]	KG	6,238.4
	Total Packaging material used for finished products intensity[10]	KG/Person	16.12
Social Aspects			
KPIs		Unit	2023
Employment			
B1.1	Total number of employees	Person	387
	Number of employees by gender		
	Male	Person	178
	Female	Person	209
	Number of employees by age		
	Under 30	Person	119
	30-50	Person	248
	Above 50	Person	20
	Number of employees by employment type		
	Legal employees	Person	375
	Labor dispatch	Person	12
	Number of employees by geographical region		
	Mainland China	Person	371
	HK, Macau & Taiwan	Person	3
	Other overseas area	Person	13
	Number of employees by employee category[11]		
	Senior management	Person	4
	Other management	Person	14
	General employee	Person	369

8 Energy heating value coefficient and calculation methodologies are determined under the “Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions in Enterprises in Other Industries (Trial) (《工業其他行業企業溫室氣體排放核算方法與報告指南（試行）》)” published by the National Development and Reform Commission of the PRC on 6 July 2015.

9 Packaging material used for finished products include labels, vial holders, seals, bar code labels and packing boxes, etc. used by the Group in 2023.

10 Total intensity values of packaging material used for finished products are calculated based on the total number of employees of the Group in 2023.

11 During the Reporting Period, the Group defines employee category as the following: Senior management refers to Chief Executive Officer, Chief Science Officer, Global R&D Head, Greater China General Manager. Other management refers to management member of Vice President level and above.

		Unit	2023
B1.2[12]	Turnover rate	%	26.43
	Turnover rate by gender		
	Male	%	28.80
	Female	%	24.28
	Turnover rate by age		
	Under 30	%	33.52
	30-50	%	22.98
	Above 50	%	20.00
	Turnover rate by geographical region		
	Mainland China	%	25.80
	HK, Macau & Taiwan	%	0
	Other overseas area	%	43.48
Health and Safety[13]			
B2.1	Number of work-related fatalities	Person	0
	Ratio of work-related fatalities	%	0
B2.2	Day lost due to work-related injury	Day	33
	Hours of health and safety training	Hour	218
	Number of fire drills	Number	4
Development and Training[14]			
B3.1	Ratio of employees trained	%	100
	Ratio of employees trained by gender		
	Male	%	45.99
	Female	%	54.01
	Ratio of employees trained by employee category		
	Senior Management	%	1.03
	Other Management	%	3.62
	General Employees	%	95.35

[12] Turnover rates are calculated as the number of employees who left employment voluntarily in 2023 divided by the sum of the number of employees who left employment voluntarily and number of employees at the end of the Reporting Period.

[13] Health and safety related data only covers Zhejiang Clover and Sichuan Clover. There were no work-related fatalities in 2021 and 2022.

[14] The statistics on the training encompass all employees of the Group, namely the Company and its operating entities disclosed in the Annual Report.

		Unit	2023
B3.2	Average training hours per employee	Hour	19.13
	Average training hours per employee by gender		
	Male	Hour	19.13
	Female	Hour	19.13
	Average training hours per employee by employee category		
	Senior Management	Hour	15
	Other Management	Hour	18.57
	General Employees	Hour	19.20
Labour Standards			
B4.1	Incident of child or forced labour	Person	0
Supply Chain Management[15]			
B5.1	Total number of suppliers	Number	1,015
	Number of suppliers by geographical region		
	Mainland China	Number	881
	Outside Mainland China	Number	134
Anti-corruption			
B7.1	Number of concluded legal cases regarding corrupt practices brought against the Group or its employees	Number	0
B7.3	Hours of anti-corruption Training for Board members	Hour	12
	Hours of anti-corruption Training for employees	Hour	12

15 KPI B5.2 of the ESG Guide are disclosed in the Sustainable Supply Chain section of the ESG Report.

APPENDIX 2: CONTENT INDEX OF THE ESG REPORTING GUIDE

ESG Indicator		Section
Mandatory Disclosure Requirements		
Governance Structure		
(i)	a disclosure of the board's oversight of ESG issues;	2.2
(ii)	the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and	2.2
(iii)	how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.	2.2
Reporting Principles		
Materiality	The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement.	1.2
Quantitative	Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed.	1.2
Consistency	The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.	1.2
Reporting Boundary		
A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.		1.3

ESG Indicator		Section
"Comply or explain" Provisions		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur-hexafluoride. Hazardous wastes are those defined by national regulations.	6.1 6.3
KPI A1.1	The types of emissions and respective emissions data.	Appendix 1
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix 1
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix 1
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix 1
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	6.1 6.2
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	6.1 6.3
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	6.1 6.2
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in'000s) and intensity (e.g. per unit of production volume, per facility).	Appendix 1
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Appendix 1
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	6.1 6.2
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	6.1 6.3
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Appendix 1

ESG Indicator		Section
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	6.1 6.3
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	6.1 6.3
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	6.2
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	6.2
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	5.1
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Appendix 1
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Appendix 1
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	5.3
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Appendix 1
KPI B2.2	Lost days due to work injury.	Appendix 1
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	5.3

ESG Indicator		Section
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	5.2
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Appendix 1
KPI B3.2	The average training hours completed per employee by gender and employee category.	Appendix 1
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	5.1
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	5.1
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	5.1
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	4.2
KPI B5.1	Number of suppliers by geographical region.	Appendix 1
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	4.2
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	4.2
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	4.2

ESG Indicator		Section
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	3.1
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Appendix 2[16]
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	3.1
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	3.3
KPI B6.4	Description of quality assurance process and recall procedures.	3.1
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	3.3
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	4.1
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	4.1
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	4.1
KPI B7.3	Description of anti-corruption training provided to directors and staff.	4.1 Appendix 1
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	7.1 7.2
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	7.1 7.2
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	7.1 7.2

16 During the Reporting Period, we have no recall cases of products sold or shipped or for safety or health reasons.

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌
英皇道979號
太古坊一座27樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

To the shareholders of Clover Biopharmaceuticals, Ltd.
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Clover Biopharmaceuticals, Ltd. (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 119 to 202, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, 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 ("**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 judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Inventory provision	
As at 31 December 2023, the book value and provision of the Group's inventories amounted to RMB2,773,983,000 and RMB2,077,005,000, respectively, which were significant to the consolidated financial statements. The Group's inventories, comprising primarily of raw materials, work in process and finished goods, are carried at the lower of cost and net realisable value which requires management's judgement and estimation. When determining the provision of inventories, the Group takes into account the expiry dates of inventories, the estimated costs to be incurred to sale, the estimated selling prices, the expected inventory usage and the expected future market demand, which involves critical management estimates. The Group's disclosure about inventory provision is included in note 2.4 *Material accounting policies*, note 3 *Significant accounting judgements and estimates* and note 18 *Inventories*.	We obtained an understanding of and evaluated the key controls over the inventory provision process; We attended physical inventory counts at the year end to verify the quantity of inventory ending balance, on a sampling basis, and to identify any obsolete inventories; We discussed with management on the methodology to calculate the inventory provision and evaluate whether the methodology complies with IAS 2. *Inventories*; We discussed with management on the key assumptions applied in the assessment and calculation of inventory provision and evaluated the reasonableness of the assumptions, and obtained and checked evidence to corroborate with management's assessment; and We checked the accuracy of the computation and recalculated the computation of inventory provision based on the key assumptions.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Cut-off of research and development expenses	
The Group incurred research and development ("**R&D**") expenses of RMB649,885,000 as disclosed in the consolidated statement of profit or loss for the year ended 31 December 2023. A large portion of R&D expenses represented service fees paid to contract research organisations ("**CROs**") and contract development and manufacturing organizations ("**CDMOs**") (collectively referred as "**Outsourced Service Providers**"). The R&D activities contracted with these Outsourced Service Providers are documented in contracts and are performed over an extended period of time. Recording of these expenses in the appropriate financial reporting periods based on the progress of the R&D projects involves estimation. The Group's disclosure about R&D expenses is included in note 2.4 *Material accounting policies* and note 3 *Significant accounting judgements and estimates*.	We obtained an understanding of and evaluated the key controls over the cut-off of R&D expenses process; We inquired management about the reasons for periodical fluctuations in R&D expenses and assessed the reasonableness of those fluctuations based on our understanding of the progress of the major R&D projects during the year ended 31 December 2023; For the service fees paid/payable to the Outsourced Service Providers, we, on a sampling basis, reviewed the key terms set out in the contracts with the Outsourced Service Providers, evaluated the completion status of the R&D projects with reference to the progress reported by the project manager and inspected the supporting documents, to determine whether the service fees were properly recorded in the appropriate financial reporting periods based on the respective contract terms, progress and/or the milestones achieved; We obtained external confirmation from major Outsourced Service Providers, to confirm the amount of the R&D services fees incurred for the year ended 31 December 2023 and the amounts payable under the contracts as of 31 December 2023; We evaluated the adequacy of the R&D expenses by comparing the subsequent milestone billings and payments with the accrued R&D expenses, to determine whether the R&D expenses were recorded in the appropriate financial reporting periods; and We evaluated the adequacy and accuracy of the Group's disclosure about R&D expenses.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Tsang Pang Sum Joe.

Ernst & Young
Certified Public Accountants
Hong Kong
26 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2023

	Notes	2023 RMB'000	2022 RMB'000
REVENUE	5	39,255	–
Cost of sales	8	(15,014)	–
Gross profit		24,241	–
Other income and gains	6	2,571,354	23,246
Selling and distribution expenses		(54,766)	–
Administrative expenses		(198,816)	(410,237)
Research and development expenses		(649,885)	(1,465,324)
Other expenses	7	(1,811,944)	(593,658)
Finance costs	9	(18,723)	(5,930)
LOSS BEFORE TAX	8	(138,539)	(2,451,903)
Income tax expense	12	–	–
LOSS FOR THE YEAR		(138,539)	(2,451,903)
Attributable to:			
Owners of the parent		(138,539)	(2,451,903)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (EXPRESSED IN RMB PER SHARE)	14		
Basic and diluted		(0.11)	(2.22)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2023

	2023 RMB'000	2022 RMB'000
LOSS FOR THE YEAR	(138,539)	(2,451,903)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company	88,246	399,857
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	88,246	399,857
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(69,237)	(379,402)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(69,237)	(379,402)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	19,009	20,455
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(119,530)	(2,431,448)
Attributable to:		
Owners of the parent	(119,530)	(2,431,448)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	149,720	185,790
Right-of-use assets	16	12,336	55,954
Intangible assets	17	39,859	34,998
Other non-current assets	20	–	28,035
Total non-current assets		201,915	304,777
CURRENT ASSETS			
Inventories	18	696,978	2,384,340
Trade receivables	19	24,106	–
Prepayments, other receivables and other assets	20	68,800	135,147
Financial assets at fair value through profit or loss	21	14,165	13,929
Time deposits and restricted cash	22	16,228	19,243
Pledged deposits	22	343,378	229,861
Cash and cash equivalents	22	735,864	1,607,409
Total current assets		1,899,519	4,389,929
CURRENT LIABILITIES			
Trade payables	23	247,829	856,964
Other payables and accruals	24	124,731	99,314
Interest-bearing bank borrowings	25	308,063	294,060
Contract liabilities	26	1,577,845	1,555,297
Lease liabilities	16	18,535	23,570
Total current liabilities		2,277,003	2,829,205
NET CURRENT (LIABILITIES)/ASSETS		(377,484)	1,560,724
TOTAL ASSETS LESS CURRENT LIABILITIES		(175,569)	1,865,501

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities	16	7,853	36,738
Deferred income	27	44,364	2,496,900
Non-current portion of trade payables	23	505,047	–
Total non-current liabilities		557,264	2,533,638
Net liabilities		(732,833)	(668,137)
EQUITY			
Equity attributable to owners of the parent			
Share capital	29	838	835
Treasury shares	29	(30)	(36)
Reserves	31	(733,641)	(668,936)
Total deficit		(732,833)	(668,137)

Peng Liang
Director

Joshua Liang
Director

Year ended 31 December 2023	Attributable to owners of the parent							
	Share capital RMB'000 (note 29)	Treasury shares RMB'000 (note 29)	Merger reserve RMB'000 (note 31(a))	Share premium RMB'000 (note 31(b))	Share-based compensation reserve RMB'000 (note 31(c))	Exchange fluctuation reserve RMB'000 (note 31(d))	Accumulated losses RMB'000	Total equity RMB'000
At 1 January 2023	835	(36)	51,703	8,562,410	90,933	127,747	(9,501,729)	(668,137)
Loss for the year	–	–	–	–	–	–	(138,539)	(138,539)
Other comprehensive income for the year:								
Exchange differences on translation of the Company	–	–	–	–	–	88,246	–	88,246
Exchange differences on translation of foreign operations	–	–	–	–	–	(69,237)	–	(69,237)
Total comprehensive income for the year	–	–	–	–	–	19,009	(138,539)	(119,530)
Share issue expenses	–	–	–	(54)	–	–	–	(54)
Share-based compensation	–	–	–	–	54,862	–	–	54,862
Vesting of restricted share units	–	6	–	47,810	(47,816)	–	–	–
Exercise of share options	3	–	–	10,611	(10,588)	–	–	26
At 31 December 2023	838	(30)	51,703*	8,620,777*	87,391*	146,756*	(9,640,268)*	(732,833)

continued/...

Year ended 31 December 2022	Attributable to owners of the parent							
	Share capital RMB'000 (note 29)	Treasury shares RMB'000 (note 29)	Merger reserve RMB'000 (note 31(a))	Share premium RMB'000 (note 31(b))	Share-based compensation reserve RMB'000 (note 31(c))	Exchange fluctuation reserve RMB'000 (note 31(d))	Accumulated losses RMB'000	Total equity RMB'000
At 1 January 2022	742	(49)	51,703	7,971,649	137,637	107,292	(7,049,826)	1,219,148
Loss for the year	–	–	–	–	–	–	(2,451,903)	(2,451,903)
Other comprehensive income for the year:								
Exchange differences on translation of the Company	–	–	–	–	–	399,857	–	399,857
Exchange differences on translation of foreign operations	–	–	–	–	–	(379,402)	–	(379,402)
Total comprehensive income for the year	–	–	–	–	–	20,455	(2,451,903)	(2,431,448)
Issue of shares	89	–	–	452,856	–	–	–	452,945
Share issue expenses	–	–	–	(4,969)	–	–	–	(4,969)
Share-based compensation	–	–	–	–	95,919	–	–	95,919
Vesting of restricted share units	–	13	–	102,569	(102,582)	–	–	–
Exercise of share options	4	–	–	40,305	(40,041)	–	–	268
At 31 December 2022	835	(36)	51,703*	8,562,410*	90,933*	127,747*	(9,501,729)*	(668,137)

* These reserve accounts comprise the consolidated reserves of RMB(733,641,000) (2022: RMB(668,936,000)) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(138,539)	(2,451,903)
Adjustments for:			
Interest income	6	(16,118)	(8,507)
Finance costs	9	18,723	5,930
Depreciation of property, plant and equipment	15	38,300	28,980
Depreciation of right-of-use assets	16	30,935	27,690
Amortisation of intangible assets	17	5,507	3,424
Loss on disposal of property, plant and equipment	7	3	8,432
Gain on disposal of right-of-use assets	6	(2,309)	–
Loss on disposal of intangible assets	7	7,047	–
Impairment of right-use-assets	7	8,210	–
Impairment of property, plant and equipment	7	2,099	–
Impairment of prepayments, other receivables and other assets	7	10,108	34,155
Share-based compensation expenses	30	53,515	95,023
Foreign exchange differences, net	7	34,982	25,412
Write-down of inventories to net realisable value	7	1,697,406	475,643
Fair value changes of financial assets at fair value through profit or loss	6	–	(229)
		1,749,869	(1,755,950)
Increase in inventories		(8,697)	(2,090,396)
Increase in trade receivables		(24,106)	–
Decrease in prepayments, other receivables and other assets		66,289	1,282,065
(Decrease)/increase in trade payables		(104,088)	268,405
Increase/(decrease) in other payables and accruals		6,725	(100,128)
Increase in contract liabilities		22,548	131,751
(Decrease)/increase in deferred income		(2,452,536)	564,937
Cash used in operations		(743,996)	(1,699,316)
Interest received		16,118	8,507
Net cash flows used in operating activities		(727,878)	(1,690,809)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(6,952)	(77,033)
Purchases of intangible assets		(2,224)	(28,527)
Purchases of financial assets at fair value through profit or loss		–	(13,929)
Proceeds from disposal of financial assets at fair value through profit or loss		–	31,137
Proceeds from disposal of property, plant and equipment		–	2,201
Decrease in time deposits and restricted deposits		3,015	48,645
Net cash flows used in investing activities		(6,161)	(37,506)

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank loans		460,792	293,833
Repayment of bank loans		(444,591)	–
Interest paid		(16,554)	(242)
Lease payments	16	(28,568)	(28,773)
Share issue expenses		(54)	(4,969)
Issue of shares		–	452,945
Proceeds from exercise of options		84	210
Increase in pledged deposits		(113,517)	(229,861)
Net cash flows from financing activities		(142,408)	483,143
NET DECREASE IN CASH AND CASH EQUIVALENTS		(876,447)	(1,245,172)
Cash and cash equivalents at beginning of year		1,607,409	2,767,371
Effect of foreign exchange rate changes, net		4,902	85,210
CASH AND CASH EQUIVALENTS AT END OF YEAR		735,864	1,607,409
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	1,095,470	1,856,513
Cash and cash equivalents as stated in the statement of financial position		1,095,470	1,856,513
Time deposits and restricted cash	22	(16,228)	(19,243)
Pledged deposits	22	(343,378)	(229,861)
Cash and cash equivalents as stated in the consolidated statement of cash flows		735,864	1,607,409

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 31 October 2018. The registered address of the Company is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. During the year, the Group was principally engaged in the research and development, manufacturing and commercialisation of innovative vaccines.

The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") effective from 5 November 2021.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Clover Biopharmaceuticals (Hong Kong) Co., Limited ("**Clover HK**")	Hong Kong 30 November 2018	HKD3,969,902,390	100%	–	Investment holding
Sichuan Clover Biopharmaceuticals, Inc. ("**Clover Sichuan**")* 四川三葉草生物製藥有限公司	People's Republic of China ("**PRC**")/ Chinese Mainland** 4 June 2007	RMB798,796,254	–	100%	Research and development
Clover Biopharmaceuticals AUS Pty Ltd. ("**Clover AUS**")	Australia 6 June 2017	AUD4,305,489	100%	–	Research and development
Zhejiang Clover Biopharmaceuticals, Inc. ("**Clover Zhejiang**")* 浙江三葉草生物製藥有限公司	PRC/Chinese Mainland*** 23 August 2016	RMB220,000,000	–	100%	Research and development
Clover Biopharmaceuticals (Beijing) Co., Ltd. ("**Clover Beijing**")* 克洛菲生物製藥(北京)有限公司	PRC/Chinese Mainland*** 1 September 2020	RMB1,000,000	–	100%	Research and development
Clover Biopharmaceuticals USA, Inc. ("**Clover USA**")	United States 6 March 2020	USD1	–	100%	Research and development
Chengdu Fuya Enterprise Management Co., Ltd. ("**Chengdu Fuya**")* 成都福雅企業管理有限公司	PRC/Chinese Mainland*** 30 October 2020	RMB100,000	–	100%	Consulting

1. CORPORATE INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Name	Place and date of incorporation/ registration and place of operations	Nominal value of ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Clover Biopharmaceuticals (Shanghai) Co., Ltd. (“**Clover Shanghai**”)* 愷洛菲生物製藥（上海）有限公司	PRC/Chinese Mainland*** 9 February 2021	RMB1,000,000	–	100%	Research and development
Clover Biopharmaceuticals Ireland Limited (“**Clover Ireland**”)	Ireland 14 April 2021	EUR1	–	100%	Research and development
Clover Biopharmaceuticals UK Ltd. (“**Clover UK**”)	England and Wales 13 October 2021	GBP425	–	100%	Research and development
Clover Biotechnology (Shanghai) Co., Ltd.* 愷洛菲生物科技（上海）有限公司	PRC/Chinese Mainland*** 9 March 2022	RMB100,000,000	–	100%	Research and development
Zhejiang Clover Biomedical Management Co., Ltd.* 浙江三葉草生物醫藥經營有限公司	PRC/Chinese Mainland*** 8 November 2023	RMB10,000,000	–	100%	Sale of biopharmaceutical drugs

* The English names of the companies registered in the PRC represent the best efforts made by management of the Company to translate the Chinese names of the companies as they do not have official English names.

** Registered as a wholly-foreign-owned enterprise under PRC law.

*** Limited liability company established in PRC.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) (which include all International Financial Reporting Standards, International Accounting Standards (“**IASs**”) and Interpretations) issued by the International Accounting Standards Board (the “**IASB**”), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial assets which have been measured at fair value through profit or loss. These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (“**RMB’000**”) except when otherwise indicated.

2.1 BASIS OF PREPARATION (CONTINUED)

The consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern, which assumes that the Group will be able to meet its obligations and continue its operations for the coming twelve months notwithstanding that as at 31 December 2023, the Group had net liabilities of RMB732,833,000 and accumulated losses of RMB9,640,268,000. In view of these circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have the necessary liquid fund to finance its working capital and capital expenditure requirements for the next twelve months after 31 December 2023, which include, but not limited to, the following:

(a) The primary cause for the net liabilities as at 31 December 2023 was the significant contract liabilities, details of which are included in note 26 to the financial statements. The Group is not expected to incur any cash outflows in the next twelve months after 31 December 2023 for the contract liabilities;

(b) The Group had cash and cash equivalents of RMB735,864,000; and

(c) The Group had unutilised banking facilities available to the Group that the directors of the Company are confident of them being able to be continuously renewed upon their respective expirations in the foreseeable future based on the Group's past experience and good credit standing.

In light of the available funding and factors as mentioned above, and after taking into account the active measures taken by the Group to control operating costs and contain capital expenditures, the Group has prepared a cash flow forecast for the next twelve months, which indicated that the Group would have sufficient working capital to finance its operations. Hence the directors of the Company are of the opinion that it is appropriate to prepare these consolidated financial statements under the going concern basis.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee). Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

(b) rights arising from other contractual arrangements; and

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

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (Continued)

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

IFRS 17	*Insurance Contracts*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform – Pillar Two Model Rules*

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

The nature and the impact of the new and revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset of RMB16,421,000 for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability of RMB16,421,000 for all taxable temporary differences associated with right-of-use assets at 1 January 2022.

The adoption of amendments to IAS 12 did not have any impact on the basic and diluted loss per share attributable to ordinary equity holders of the parent, other comprehensive income and the consolidated statements of cash flows for the years ended 31 December 2023 and 2022.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(d) Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following revised IFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised IFRSs, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[1]
Amendments to IAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*[1]
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*[1]
Amendments to IAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB. However, the amendments are available for adoption now.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (CONTINUED)

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 MATERIAL ACCOUNTING POLICIES

Fair value measurement

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

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

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

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

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

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

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

Related parties

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Related parties (Continued)

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

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (Continued)

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

Buildings	5%
Machinery	10%
Electronic and other equipment	19% to 32%
Vehicles	24%
Leasehold improvements	Over the shorter of the residual useful life and lease terms

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

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

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

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

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Intangible assets not yet available for use are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill) (Continued)

Software

Software is stated at cost less any impairment losses and is amortised on the straight-line basis over the estimated useful life of 3 to 10 years. The estimated useful life of software is determined by considering the period of the economic benefits to the Group as well as by referring to the industry practice.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

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

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to seven years, commencing from the date when the products are put into commercial production.

Leases

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

Group as a lessee

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

Group as a lessee (Continued)

(a) Right-of-use assets

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

Categories	Estimated useful lives
Leasehold buildings	2 to 4 years
Office equipment	3 years

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

(b) Lease liabilities

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

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

Group as a lessee (Continued)

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

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

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

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease. Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

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

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Subsequent measurement (Continued)

Financial assets at fair value through profit or loss

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

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

General approach

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

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

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

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

Simplified approach

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

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade and other payables, amounts due to related parties, and lease liabilities.

Subsequent measurement

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

Financial liabilities at amortised cost (trade and other payables and borrowings)

After initial recognition, trade and other payables, interest-bearing bank borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group’s cash management.

Provisions

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

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business consolidation and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

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

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

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

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

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

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue from contracts with customers

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

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

- *Sale of vaccines*

  Revenue from the sale of vaccines is recognised at the point in time when control of the asset is transferred to the customer, generally upon delivery of the vaccines or receipt of the vaccines by customers.

  Contracts for the sale of vaccines provide customers with rights of return, giving rise to variable consideration.

  Rights of return

  For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

Other income

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Right-of-return assets

A right-of-return asset is recognised for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the goods to be returned, less any expected costs to recover the goods and any potential decreases in the value of the returned goods. The Group updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned goods.

Refund liabilities

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Share-based compensation

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

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binominal model, further details of which are given in note 30 to the financial statements.

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Share-based compensation (Continued)

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

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

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

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

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

Other employee benefits

Pension scheme

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

There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Dividends

Dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed dividends are disclosed in the notes to the financial statements.

Foreign currencies

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

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

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

The functional currencies of the Company and certain overseas subsidiaries are currencies other than RMB. The functional currency of the Company is the United States Dollar ("**USD**"). As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Revenue from contracts with customers

The Group applied the following judgement that significantly affects the determination of the amount and timing of revenue from contracts with customers:

Determining the method to estimate variable consideration and assessing the constraint for the sale of vaccines:

Contracts for the sale of vaccines include a right of return that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (Continued)

Revenue from contracts with customers (Continued)

The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for the sale of vaccines with rights of return.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

Significant judgement in determining the lease term of contracts with renewal options

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group includes the renewal period as part of the lease term for leases of buildings due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., three to five years) and there will be a significant negative effect on production if a replacement is not readily available.

Estimation uncertainty

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

Variable consideration for returns

The Group estimates variable consideration to be included in the transaction price for the sale of vaccines with rights of return.

The Group has developed a statistical model for forecasting sales returns. The model used the collected vaccination data of vaccines product to come up with expected return percentages. These percentages are applied to determine the expected value of the variable consideration.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each of the reporting period. Intangible assets not yet available for intended use are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Development costs

Development costs are capitalised in accordance with the accounting policy for research and development costs in note 2.4 to the financial statements. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

Provision for inventories

The Group reviews the carrying amounts of the inventories at the end of each of the reporting period to determine whether the inventories are carried at the lower of cost and net realisable value. The net realisable value is estimated based on current market situation and historical experience. Any change in the assumptions would increase or decrease the amount of inventories written down or the related reversals of write-down and affect the Group's financial position.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Useful lives of intangible assets

The intangible assets are amortised on the straight-line basis by taking into account the residual value. The Group reviews the estimated useful lives on an annual basis to determine the related amortisation charges for its intangible assets. The estimation is based on the legal protection period, with consideration of market condition. Management will increase the amortisation charges when useful lives become shorter than previously estimated.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and the related depreciation charge for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation charge in the future periods.

Accrual of research and development costs

The Group engages contract research organizations ("**CROs**") and contract development and manufacturing organizations ("**CDMOs**") (collectively referred as "**Outsourced Service Providers**") to conduct, supervise, and monitor the Group's clinical trials, or to develop manufacturing processes to support the Group's own manufacturing capacities. Determining the amounts of research and development costs incurred up to the end of each reporting period requires the management of the Group to estimate and measure the progress of receiving research and development services under the contracts with Outsourced Service Providers using inputs such as number of patient enrolments, time elapsed and milestone achieved when the Group has not yet been invoiced or otherwise notified of the actual costs.

Fair value measurement of share-based payments

The Group has set up the share option scheme and granted options to the Group's employees, and granted restricted share units to the Company's directors and the Group's consultants. The fair value of the options is determined by the binominal option-pricing model at the grant dates for options granted to directors and employees, and at the service provision dates for the consultants. Significant estimates on assumptions, including the underlying equity value, discount rate, expected volatility, and dividend yield, are made by management. Further details are included in note 30 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgement on the future tax treatment of certain transactions and when certain matters relating to the income taxes have not been confirmed by the local tax bureau. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised in respect of deductible temporary differences and unused tax losses. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and the losses can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered. Further details are included in note 12 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group has only one operating segment, which is the research and development, manufacturing and commercialisation of innovative vaccines. Since this is the only reportable operating segment of the Group, no further operating segment analysis therefore is presented.

Geographical information

(a) *Revenue from external customers*

	2023 RMB'000	2022 RMB'000
Chinese Mainland	39,255	–

The revenue information of continuing operations above is based on the locations of the customers.

(b) *Non-current assets*

	2023 RMB'000	2022 RMB'000
Chinese Mainland	199,090	295,569
Other countries/regions	2,825	9,208
Total non-current assets	201,915	304,777

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

Information about a major customer

Revenue amounting to RMB39,247,000 (2022: nil) was derived from sales to a single customer.

5. REVENUE

An analysis of revenue is as follows:

	2023 RMB'000	2022 RMB'000
Revenue from contracts with customers	39,255	–

Revenue from contracts with customers

(a) *Disaggregated revenue information*

	2023 RMB'000	2022 RMB'000
Types of good		
Vaccines	39,255	–
Timing of revenue recognition		
Goods transferred at a point in time	39,255	–

(b) *Performance obligations*

Sale of vaccines

The performance obligation is satisfied upon delivery of the vaccines or receipt of the vaccines by customers and payment is generally due within 3 months to 1 year from release or delivery. Some contracts provide customers with rights of return which give rise to variable consideration subject to constraint.

6. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	2023 RMB'000	2022 RMB'000
Funding from Coalition for Epidemic Preparedness Innovations ("**CEPI**")*	2,540,497	–
Bank interest income	16,118	8,507
Government grants**	7,136	14,409
Fair value gains, net:		
Financial assets at fair value through profit or loss	–	229
Rental income (note 16)	2,040	101
Gain on disposal of right-of-use assets	2,309	–
Others	3,254	–
Total	2,571,354	23,246

* Funding received from CEPI amounting to RMB2,540,497,000 was recognised in other income because the conditions attached to the funding have been fulfilled during the year ended 31 December 2023 as further explained in note 27.

** Government grants have been received from the local government authorities to support the subsidiaries' research and development activities and purchase of certain items of property, plant and equipment. There are no unfulfilled conditions related to these government grants.

7. OTHER EXPENSES

	2023 RMB'000	2022 RMB'000
Write-down of inventories to net realisable value/ (reversal of inventory provision)*	1,697,406	475,643
Foreign exchange differences, net	34,982	25,412
Severance costs	33,630	21,319
Loss on disposal of intangible assets	7,047	–
Additional costs for termination of the Shanghai R&D Center project	3,981	13,842
Loss on disposal of property, plant and equipment	3	8,432
Impairment of prepayments, other receivables and other assets	10,108	34,155
Impairment of right-of-use assets (note 16)	8,210	–
Impairment of property, plant and equipment	2,099	–
Others	14,478	14,855
Total	1,811,944	593,658

* Write-down of inventories to net realisable value during the year ended 31 December 2023 is further explained in note 18.

8. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Notes	2023 RMB'000	2022 RMB'000
Cost of inventories sold		15,014	–
Research and development costs (excluding related employee benefit expenses, depreciation and amortisation)		359,798	1,049,477
Depreciation of property, plant and equipment		34,183	26,966
Depreciation of right-of-use assets	16	30,935	27,690
Amortisation of intangible assets	17	5,507	3,424
Lease payments not included in the measurement of lease liabilities	16	3,020	5,559
Auditor's remuneration		2,891	1,100
Employee benefit expenses (including directors' and chief executive's remuneration):			
Wages, salaries and welfare		315,905	530,528
Pension scheme contributions		22,193	31,361
Share-based compensation expenses		52,155	93,045
Total of employee benefit expenses		390,253	654,934

9. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 RMB'000	2022 RMB'000
Interest on bank loans	16,331	1,711
Interest on lease liabilities (note 16)	2,392	4,219
Total	18,723	5,930

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2023 RMB'000	2022 RMB'000
Fees	1,868	2,588
Other emoluments:		
Salaries, bonuses, allowances and benefits in kind	7,192	12,718
Share-based compensation expenses*	32,777	38,475
Subtotal	39,969	51,193
Total	41,837	53,781

During the year, certain directors were granted share options and restricted share units, in respect of their services to the Group, under the share option scheme and restricted share unit scheme of the Company, further details of which are set out in note 30 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

* Share-based compensation are settled in equity.

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

(a) Independent non-executive directors

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

	Share-based compensation expenses RMB'000	Fees RMB'000	Total remuneration RMB'000
Year ended 31 December 2023			
Dr. Xiaobin Wu	2,942	338	3,280
Mr. Xiang Liao	2,942	317	3,259
Mr. Jeffrey Farrow	2,942	254	3,196
Mr. Thomas Leggett	2,942	367	3,309
Total	11,768	1,276	13,044

	Share-based compensation expenses RMB'000	Fees RMB'000	Total remuneration RMB'000
Year ended 31 December 2022			
Dr. Xiaobin Wu	1,799	491	2,290
Mr. Xiang Liao	1,799	410	2,209
Mr. Jeffrey Farrow	1,799	410	2,209
Mr. Thomas Leggett	1,799	518	2,317
Total	7,196	1,829	9,025

There were no other emoluments payable to the independent non-executive directors during the year (2022: nil).

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

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

	Notes	Salaries, bonuses, allowances and benefits in kind RMB'000	Share-based compensation expenses RMB'000	Fees RMB'000	Total remuneration RMB'000
Year ended 31 December 2023					
Executive directors:					
Dr. Peng Liang		2,805	3,024	–	5,829
Mr. Joshua Liang (chief executive)		4,387	13,003	–	17,390
Subtotal		7,192	16,027	–	23,219
Non-executive directors:					
Dr. Xiaodong Wang		–	2,942	240	3,182
Mr. Donna Marie Ambrosino	(iii)	–	731	176	907
Mr. Ralf Leo Clemens	(iv)	–	1,309	176	1,485
Subtotal		–	4,982	592	5,574
Total		7,192	21,009	592	28,793
Year ended 31 December 2022					
Executive directors:					
Dr. Peng Liang		4,581	5,864	–	10,445
Mr. Joshua Liang (chief executive)		8,137	22,148	–	30,285
Subtotal		12,718	28,012	–	40,730
Non-executive directors:					
Dr. Xiaodong Wang		–	1,799	397	2,196
Mr. Ting Xiao	(i)	–	–	–	–
Mr. Dong Lyu	(ii)	–	–	–	–
Mr. Donna Marie Ambrosino	(iii)	–	346	181	527
Mr. Ralf Leo Clemens	(iv)	–	1,122	181	1,303
Subtotal		–	3,267	759	4,026
Total		12,718	31,279	759	44,756

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

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

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

(i) Mr. Ting Xiao resigned as a non-executive director of the Company on 22 April 2022.

(ii) Mr. Dong Lyu resigned as a non-executive director of the Company on 28 October 2022.

(iii) Dr. Donna Marie Ambrosino was appointed as a non-executive director of the Company with effect from 17 June 2022.

(iv) Dr. Ralf Leo Clemens was appointed as a non-executive director of the Company with effect from 17 June 2022.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year ended 31 December 2023 included two executive directors (2022: included two executive directors), details of whose remuneration are set out in note 10 above. Details of the remuneration for the year of the remaining three (2022: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Salaries, allowances and benefits in kind	14,069	15,951
Performance related bonuses	–	5,816
Pension scheme contributions	2,282	2,231
Share-based compensation expenses	10,510	12,959
Total	26,861	36,957

11. FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

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

	Year ended 31 December	
	2023	2022
HKD8,000,001 to HKD8,500,000	1	–
HKD9,500,001 to HKD10,000,000	1	–
HKD11,000,001 to HKD11,500,000	1	1
HKD14,000,001 to HKD14,500,000	–	1
HKD16,500,001 to HKD17,000,000	–	1
Total	3	3

12. INCOME TAX

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

Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax is imposed.

Hong Kong

The subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong. The first HKD2,000,000 (2022: HKD2,000,000) of assessable profits of this subsidiary are subject to 8.25% (2022: 8.25%) and the remaining assessable profits are subject to 16.5% (2022: 16.5%). No provision for Hong Kong profits tax has been made as the Group has no assessable profits derived from or earned in Hong Kong during the year.

Chinese Mainland

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the "**CIT Law**"), the subsidiaries which operate in Chinese Mainland are subject to CIT at a rate of 25% (2022: 25%) on the taxable income.

12. INCOME TAX (CONTINUED)

Australia

The subsidiary incorporated in the Australia is subject to Australia statutory corporate income tax at a rate of 30% (2022: 30%). However, the rate is reduced to 25% (2022: 25%) following a preliminary assessment of the base rate entity rules in accordance with the Australian tax law during the year.

United States of America

The subsidiary incorporated in Delaware, United States was subject to statutory United States federal corporate income tax at a rate of 21% (2022: 21%) during the year.

United Kingdom

The subsidiary incorporated in the United Kingdom is subject to corporation income tax on its worldwide profits at 19% (2022: 19%) during the year.

Ireland

The subsidiary incorporated in Ireland is subject to Ireland corporate income tax at a rate of 25% (2022: 25%) on the estimated assessable profits arising in Ireland during the year.

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

	2023 RMB'000	2022 RMB'000
Loss before tax	(138,539)	(2,451,903)
Tax at the statutory tax rate of 25%	(34,635)	(612,976)
Effect of tax rate differences in other jurisdictions	30,684	41,499
Expenses not deductible for tax	8,315	12,827
Additional deductible allowance for qualified research and development costs	(17,964)	(19,403)
Tax losses utilised from previous periods	(1,506)	–
Deductible temporary differences not recognised	(253,482)	249,109
Tax losses not recognised	268,588	328,944
Tax charge at the Group's effective tax rate	–	–

12. INCOME TAX (CONTINUED)

The Group had accumulated tax losses of RMB2,755,266,000 (2022: RMB1,933,254,000) as at 31 December 2023, out of which the Group's entities in the Chinese Mainland had accumulated tax losses of RMB2,047,015,000 (2022: RMB1,350,422,000), while the Group's overseas entities had accumulated tax losses of RMB708,251,000 (2022: RMB582,832,000). Tax losses in the Chinese Mainland are available for a maximum of five years for offsetting against future taxable profits of the companies in which the losses arose, while the tax losses incurred by overseas entities can be carried forward without a period limit.

Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

13. DIVIDENDS

No dividends have been declared and paid by the Company for the year ended 31 December 2023 (2022: nil).

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

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent of RMB138,539,000 (2022: RMB2,451,903,000) and the weighted average number of ordinary shares. The weighted average number of shares for the year ended 31 December 2023 is determined based on 1,243,504,146 shares in issue during the year (2022: 1,102,103,513).

As the Group incurred losses, no adjustment has been made to the basic loss per share amount presented for the year ended 31 December 2023 (2022: nil) as the impact of the share options and restricted share units outstanding had an anti-dilutive effect on the basic loss per share amount presented. Accordingly, the dilutive loss per share amounts for the years ended 31 December 2023 and 2022 are the same as the basic loss per share amounts.

The calculation of basic and diluted loss per share is based on:

	2023 RMB'000	2022 RMB'000
Loss		
Loss attributable to owners of the parent, used in the basic loss per share calculation:	(138,539)	(2,451,903)

	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation:	1,243,504,146	1,102,103,513

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery RMB'000	Electronic and other equipment RMB'000	Vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2023							
At 1 January 2023:							
Cost	29,746	85,699	42,375	291	31,597	44,080	233,788
Accumulated depreciation	(2,442)	(15,901)	(17,154)	(188)	(12,313)	–	(47,998)
Net carrying amount	27,304	69,798	25,221	103	19,284	44,080	185,790
At 1 January 2023, net of accumulated depreciation	27,304	69,798	25,221	103	19,284	44,080	185,790
Additions	–	–	–	–	–	4,072	4,072
Depreciation provided during the year	(1,489)	(11,178)	(13,025)	(76)	(12,532)	–	(38,300)
Impairment	–	–	–	–	(2,099)	–	(2,099)
Transfers	53	18,434	450	–	3,937	(22,874)	–
Disposals	–	(3)	–	–	–	–	(3)
Exchange realignment	–	–	5	–	255	–	260
At 31 December 2023, net of accumulated depreciation	25,868	77,051	12,651	27	8,845	25,278	149,720
At 31 December 2023:							
Cost	29,799	104,130	42,830	291	35,789	25,278	238,117
Accumulated depreciation and impairment	(3,931)	(27,079)	(30,179)	(264)	(26,944)	–	(88,397)
Net carrying amount	25,868	77,051	12,651	27	8,845	25,278	149,720

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings RMB'000	Machinery RMB'000	Electronic and other equipment RMB'000	Vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2022							
At 1 January 2022:							
Cost	29,746	75,346	26,127	173	11,378	32,151	174,921
Accumulated depreciation	(955)	(8,789)	(5,183)	(80)	(4,225)	–	(19,232)
Net carrying amount	28,791	66,557	20,944	93	7,153	32,151	155,689
At 1 January 2022, net of accumulated depreciation	28,791	66,557	20,944	93	7,153	32,151	155,689
Additions	–	–	780	–	–	68,938	69,718
Depreciation provided during the year	(1,487)	(7,132)	(12,165)	(108)	(8,088)	–	(28,980)
Transfers	–	10,374	16,968	118	20,194	(47,654)	–
Disposals	–	(1)	(1,307)	–	–	(9,325)	(10,633)
Exchange realignment	–	–	1	–	25	(30)	(4)
At 31 December 2022, net of accumulated depreciation	27,304	69,798	25,221	103	19,284	44,080	185,790
At 31 December 2022:							
Cost	29,746	85,699	42,375	291	31,597	44,080	233,788
Accumulated depreciation	(2,442)	(15,901)	(17,154)	(188)	(12,313)	–	(47,998)
Net carrying amount	27,304	69,798	25,221	103	19,284	44,080	185,790

16. LEASES

The Group as a lessee

The Group has lease contracts for various items of buildings and office equipment used in its operations. Leases of buildings generally have lease terms between 2 and 4 years and leases of office equipment generally have lease terms of 3 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(1) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold buildings RMB'000	Office equipment RMB'000	Total RMB'000
At 1 January 2022	66,677	37	66,714
Additions	25,230	–	25,230
Reassessment of a lease term arising from a decision not to exercise the extension option	(8,497)	–	(8,497)
Depreciation charge (note 8)	(27,681)	(9)	(27,690)
Exchange realignment	197	–	197
At 31 December 2022 and 1 January 2023	55,926	28	55,954
Reassessment of a lease term arising from a decision not to exercise the extension option	–	(25)	(25)
Reassessment of a lease term arising from a decision to exercise the extension option	2,740	–	2,740
Disposals	(7,585)	–	(7,585)
Depreciation charge (note 8)	(30,932)	(3)	(30,935)
Impairment (note 7)	(8,210)	–	(8,210)
Exchange realignment	397	–	397
At 31 December 2023	12,336	–	12,336

16. LEASES (CONTINUED)

The Group as a lessee (Continued)

(2) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2023 RMB'000	2022 RMB'000
Carrying amount at 1 January	60,308	67,920
New leases	–	25,230
Accretion of interest recognised during the year	2,392	4,219
Reassessment of a lease term arising from a decision not to exercise the extension option	(25)	(8,497)
Reassessment of a lease term arising from a decision to exercise the extension option	2,740	–
Disposals	(9,894)	–
Payments	(28,568)	(28,773)
Exchange realignment	(565)	209
Carrying amount at 31 December	26,388	60,308
Analysed into:		
Current portion	18,535	23,570
Non-current portion	7,853	36,738

	2023			2022		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Lease liabilities	5.00	2024	18,535	5.00-8.20	2023	23,570
Non-current						
Lease liabilities	5.00	2025-2027	7,853	5.00-8.20	2024-2027	36,738
			26,388			60,308

The maturity analysis of lease liabilities is disclosed in note 38 to the financial statements.

16. LEASES (CONTINUED)

The Group as a lessee (Continued)

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

	2023 RMB'000	2022 RMB'000
Interest on lease liabilities (note 9)	2,392	4,219
Depreciation charge of right-of-use assets (note 8)	30,935	27,690
Expense relating to short-term leases and leases of low-value assets (note 8)	3,020	5,559
Impairment of right-of-use assets (note 7)	8,210	–
Total amount recognised in profit or loss	44,557	37,468

(4) Extension and termination options

The Group had no lease contracts that included extension or termination options as at 31 December 2023, while the Group had one lease contract that included extension options as at 31 December 2022. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and they are aligned with the Group's business needs.

(5) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in note 32(c) and note 34, respectively, to the financial statements.

The Group as a lessor

The Group subleases its right-of-use assets under operating lease arrangements. Rental income recognised by the Group for the year ended 31 December 2023 was RMB2,040,000 (2022: RMB101,000), details of which are included in note 6 to the financial statements.

17. INTANGIBLE ASSETS

	Know-how RMB'000	Software and others RMB'000	Total RMB'000
31 December 2023			
Cost at 1 January 2023, net of accumulated amortisation	–	34,998	34,998
Additions	–	17,415	17,415
Amortisation provided during the year (note 8)	–	(5,507)	(5,507)
Disposals	–	(7,047)	(7,047)
At 31 December 2023	–	39,859	39,859
At 31 December 2023			
Cost	35,805	48,765	84,570
Accumulated amortisation	(35,805)	(8,906)	(44,711)
Net carrying amount	–	39,859	39,859
31 December 2022			
Cost at 1 January 2022, net of accumulated amortisation	–	13,828	13,828
Additions	–	24,594	24,594
Amortisation provided during the year (note 8)	–	(3,424)	(3,424)
At 31 December 2022	–	34,998	34,998
At 31 December 2022			
Cost	35,805	39,664	75,469
Accumulated amortisation	(35,805)	(4,666)	(40,471)
Net carrying amount	–	34,998	34,998

18. INVENTORIES

	2023 RMB'000	2022 RMB'000
Raw materials	2,496,550	2,618,481
Work in progress	190,495	286,705
Finished goods	86,938	–
Impairment	(2,077,005)	(520,846)
Total	696,978	2,384,340

The Company periodically analyses the inventories for excess amounts or obsolescence and makes inventory provision to write down obsolete or otherwise unmarketable inventory to its estimated net realisable value. The inventory provision is estimated based on multiple factors, including assumptions about expected future demand and market conditions, current sales orders, the estimated costs to be incurred to sale, and the expiry dates of inventories.

During the year, the Group has made a provision of RMB1,697,406,000 for raw materials, work in progress and finished goods that were not expected to be used or sold within the useful life due to the changes in the market conditions, which have affected the respective sales plans and expected future usage.

During the year, for the vials donated by CEPI which exceeded the requirement of 64 million doses of SCB-2019 (CpG 1018/Alum) vaccines for the agreement with GAVI (see note 26), the Group has net off inventory balance of these vials against deferred income, as further explained in note 27.

During the year, as certain inventories were scrapped or utilised, the Group wrote off the inventory provision of RMB141,247,000.

19. TRADE RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables	24,106	–
Impairment	–	–
Net carrying amount	24,106	–

The Group's trading terms with its customers are mainly on credit. The credit period is generally 3 months to 1 year, depending on the contract terms. Each customer has a maximum credit limit. The majority of the Group's trade receivables relate to one major customer, as such, there is a concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

19. TRADE RECEIVABLES (CONTINUED)

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2023 RMB'000	2022 RMB'000
Within 6 months	24,104	–
Over 6 months	2	–
Total	24,106	–

An impairment analysis is performed at each reporting date. The Group has applied the simplified approach to provide for ECLs prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The directors of the Company are of the opinion that the ECL in respect of the balance of trade receivables is minimal. No loss allowance for impairment of trade receivables is provided as at 31 December 2023.

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2023 RMB'000	2022 RMB'000
Prepayments	30,924	119,773
Value-added tax recoverable	10,031	40,360
Other receivables	39,571	12,473
	80,526	172,606
Impairment allowance	(11,726)	(9,424)
Total	68,800	163,182
Analysed into:		
Current portion	68,800	135,147
Non-current portion	–	28,035

Prepayments primarily consisted of advance payments to suppliers for raw materials, research and development services and machinery.

Value-added tax recoverable represented the value-added tax that can be used for future deduction.

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

The financial assets included in the above balances are other receivables that primarily consisted of deposits relating to office lease or services, which are non-interest-bearing, unsecured and repayable at the end of the lease or when the related services are completed. As at 31 December 2023, none of the balances of other receivables, except for the amount mentioned below which has been fully provided, is either due or impaired as they related to balances for which there was no history of default.

The movements in the loss allowance for impairment of prepayments, other receivables and other assets are as follows:

	2023 RMB'000	2022 RMB'000
At beginning of year	(9,424)	–
Impairment losses	(10,108)	(34,349)
Reversal of impairment losses	–	194
Amount written off as uncollectible	7,806	24,731
At end of year	(11,726)	(9,424)

The impairment of prepayments, other receivables and other assets during the year ended 31 December 2023 was mainly in relation to the termination of procurement contracts of equipment.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 RMB'000	2022 RMB'000
Investments in financial products, at fair value	14,165	13,929

As at 31 December 2023, the investments in financial products were issued by a private fund company registered in Cayman Islands (2022: issued by a private fund company registered in Cayman Islands). They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2023 RMB'000	2022 RMB'000
Cash and cash equivalents	735,864	1,607,409
Time deposits and restricted cash	16,228	19,243
Pledged deposits	343,378	229,861
Subtotal	1,095,470	1,856,513
Less:		
Time deposits with original maturity more than three months	(2,943)	(2,943)
Restricted cash*	(13,285)	(16,300)
Pledged for short term bank loans (note 25(d))	(201,724)	(104,500)
Pledged for banking facilities (note 25(d))	(141,654)	(125,361)
Cash and cash equivalents	735,864	1,607,409
Denominated in:		
RMB	566,718	579,298
USD	72,720	195,007
AUD	15,674	13,732
HKD	80,011	811,306
GBP	740	8,065
EUR	1	1
Cash and cash equivalents	735,864	1,607,409

* The restricted cash as at 31 December 2023 and 2022 mainly included government funding received by Clover Sichuan, the withdrawal of which is subject to the approval of the government authority. The restricted cash as at 31 December 2023 also included deposits pledged for credit card and deposits as guarantee for payment, which could not be freely withdrawn.

The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. The remittance of funds out of Chinese Mainland is subject to exchange restrictions imposed by the PRC government.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for periods between three months and one year depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

23. TRADE PAYABLES

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

	2023 RMB'000	2022 RMB'000
Within 6 months	156,119	385,856
6 to 12 months	52,815	108,730
Over 1 year	543,942	362,378
Total	752,876	856,964
Analysed into:		
Current portion	247,829	856,964
Non-current portion	505,047	–

The trade payables are non-interest-bearing and are normally settled on 60-day terms, except for certain suppliers with specified payment terms.

Non-current portion of trade payables of USD71,307,000 (equivalent to RMB505,047,000) represented the trade payables due to Dynavax Technologies Corporation ("**Dynavax**") for procurement of CpG 1018 adjuvant, which was included in trade payables as of 31 December 2022. During the year ended 31 December 2023, the Company has reassessed the payment terms under the purchase agreement with Dynavax and confirmed with Dynavax on the amounts payable and the respective timing of payment. The amount of USD71,307,000 (equivalent to RMB505,047,000 as of 31 December 2023) was classified as non-current portion of trade payables to reflect the timing of settlement of the payables to Dynavax, which would be over 12 months from the balance sheet date.

24. OTHER PAYABLES AND ACCRUALS

	2023 RMB'000	2022 RMB'000
Payroll payable	37,943	60,123
Service fee payable	29,611	22,065
Refund liability*	29,907	–
Payables for acquisition of property, plant and equipment	2,441	7,848
Other payables	21,237	2,260
Receipt in advance	525	734
Taxes other than income tax	3,067	6,284
Total	124,731	99,314

* A refund liability and a corresponding adjustment to revenue is recognised for those products expected to be returned. The Group estimates the future sales return of the goods sold and a corresponding adjustment to revenue is recognised for those products expected to be returned.

Other payables and accruals are non-interest-bearing and have no fixed terms of settlement.

25. INTEREST-BEARING BANK BORROWINGS

	2023		
	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank loans – secured	3.45-7.33	2024	308,063

	2022		
	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank loans – secured	4.20-6.82	2023	294,060

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Analysed into:		
Bank loans repayable:		
within one year	308,063	294,060

25. INTEREST-BEARING BANK BORROWINGS (CONTINUED)

Notes:

(a) The bank borrowings bear fixed interest rates ranging from 3.45000% to 7.3261% per annum (2022: 4.20000% to 6.81983%).

(b) The carrying amounts of borrowings are denominated in the following currencies:

	As at 31 December	
	2023 RMB'000	2022 RMB'000
USD	26,032	192,735
RMB	282,031	101,325
Total	308,063	294,060

(c) The carrying amounts of the current bank borrowings approximate to their fair values.

(d) All of the Group's bank loans are secured by the pledge of certain of the Group's deposits amounting to RMB343,378,000 (2022: RMB229,861,000).

26. CONTRACT LIABILITIES

	2023 RMB'000	2022 RMB'000
Advances from customers	1,577,845	1,555,297

Contract liabilities represented the advances received from the Global Alliance for Vaccines and Immunization ("**GAVI**") to deliver the Company's SCB-2019 (CpG 1018/Alum) vaccines (the "**Vaccines**"). In June 2021, the Company and GAVI entered into the Advance Purchase Agreement ("**APA**"), pursuant to which GAVI agreed to procure the purchase of (i) 64 million doses of Vaccines, and (ii) up to 350 million doses of Vaccines pursuant to the options stated therein. The advances could be used to fund non-refundable payments to the Group's suppliers to secure for procurement of raw materials and services required to manufacture any of the firm order commitment and/or the additional doses. On 15 September 2022, the Company and GAVI entered into and signed an amendment to the APA (the "**amended APA**"), pursuant to which the Company and GAVI agreed to convert the initial firm order commitment into an option to procure 64 million doses of Vaccines over an extended period from 1 January 2023 to 31 December 2026, and to cancel the original purchase option of up to 350 million doses. GAVI has not exercised its option to purchase the Vaccines under the amended APA during the year ended 31 December 2023. As at 31 December 2023, advances from GAVI amounting to USD224,000,000, equivalent to RMB1,577,845,000, was accounted for as contract liabilities in the consolidated statement of financial position.

27. DEFERRED INCOME

	2023 RMB'000	2022 RMB'000
Deferred revenue (a)	17,414	2,468,950
Deferred government grants (b)	26,950	27,950
Total	44,364	2,496,900

(a) Deferred revenue represented the amount of funding received from CEPI by the end of the reporting period. Clover Sichuan and Clover AUS signed the Outbreak Response Funding Agreement (the "**Agreement**") with CEPI in 2020, pursuant to which CEPI is to provide funding to Clover Sichuan and Clover AUS to support the Group's research and development of COVID-19 vaccine under the project of "Outbreak Response To Novel Coronavirus (COVID-19)" (the "**Project**").

According to the Agreement, ownership of all data, assays, protocols, and materials made under the Project ("**Project Results**"), including vaccines ("**Products**"), as well as all intellectual property rights, including those for inventions, know-how, patents, trademarks arising in relation to the Project Results or otherwise under the Project ("**Project IP**") shall vest in the Company from creation. CEPI is committed to achieving equitable access to the results of all CEPI-supported programmes pursuant to the "Equitable Access Policy", which means that any form or dosage of pharmaceutical composition or preparation made or developed under the Project ("**Project Vaccine**") is first available to populations when and where it is needed to end an outbreak or contain an epidemic, regardless of whose ability to pay. A global allocation and purchasing mechanism (the "**Global Allocation Mechanism**") is to be constituted subsequent to the Agreement to purchase, allocate, and direct the distribution of COVID-19 vaccines including Project Vaccine.

According to the Agreement, the Group agrees to (i) supply all doses of the Project Vaccine up to the capacity as may be required by the Global Allocation Mechanism during the Pandemic Period (the period of time between the date that World Health Organization ("**WHO**") declared COVID-19 to be a Public Health Emergency of International Concern ("**PHEIC**", that is, 30 January 2020) and the date that WHO declares the PHEIC to have ended); and, (ii) during the period of five years after the Pandemic Period ends, supply the Project Vaccine as may be required by the Global Allocation Mechanism for use in LMICs (Low and Middle Income Countries as defined by the Organisation for Economic Co-operation and Development), not to exceed 50% of the Project Vaccine unless mutually agreed to.

The funding received from CEPI is for the Group's commitment to supply the Project Vaccine as agreed in the Agreement after the commercialisation of the Project Vaccine in the future, therefore, it should be recognised in income in line with the Group's fulfilment of its obligation to supply the Project Vaccine as required by the Global Allocation Mechanism. As such, the amount received by the end of 2022 was recorded as deferred revenue.

27. DEFERRED INCOME (CONTINUED)

(a) (continued)

In March 2023, CEPI's Stage Gate Review Committee approved that the Stage Gate Criteria for the final Stage Gate as defined in the Agreement had been met, therefore, the Project was substantially completed and subject to continuing closure of the final stage which comprises only the final work packages and certain administrative close-out activities. The funding received from CEPI of USD389,865,000 (equivalent to RMB2,540,497,000) was confirmed to be non-refundable.

The Company's Project Vaccine had realised commercialisation in February 2023. In May 2023, WHO announced that COVID-19 Pandemic Period ends. The demand for the Project Vaccine reduced to minimal levels as the emergency phase of the pandemic finished. The Company's obligation under the Agreement to supply Project Vaccine for a period of five years after the Pandemic Period ends was fulfilled by the amended APA entered into and signed by the Company and GAVI in September 2022 as an option arrangement for GAVI to procure 64 million doses of Project Vaccine. As of 31 December 2023, the Company has reserved sufficient raw materials and production capacities to meet the requirement of GAVI, should GAVI exercise its options to purchase the Project Vaccine under the amended APA.

Based on the foregoing, the Company assessed that all conditions attached to the CEPI funding of RMB2,540,497,000 (equivalent to USD389,865,000) have been fulfilled in 2023, therefore, deferred revenue of RMB2,540,497,000 was recognised in other income in 2023.

In 2023, the Group offset a portion of the inventory balance of vials donated by CEPI with the corresponding amount of CEPI's donation recorded in deferred income. The Group has retained a sufficient quantity of vials, amounting to 64 million doses, to meet the requirements of the amended APA with GAVI (refer to note 26). The vial donation agreement with CEPI had expired, and in 2023, the Group decided to abandon the remaining vials, excluding those retained for the amended APA with GAVI, due to radical changes of the business and operation needs. As a result, the Group was relieved from both the rights and obligations associated with the vials, including the vial-related donation recorded as deferred income. Therefore, the Group offset the respective CEPI donation recorded as deferred income, amounting to RMB58,787,000, against the inventory balance of abandoned vials.

As at 31 December 2023, the deferred revenue balance of RMB17,414,000 represented the amount of cash funding of RMB11,733,000 received from CEPI on certain work packages pending for CEPI's approval, and certain vials amounting to RMB5,681,000, donated by CEPI in prior years for use under the Project. The aforesaid amounts will be recognised as other income when they have been approved by CEPI or used under the Project.

(b) The movements in government grants during the year are as follows:

	As at 31 December	
	2023 RMB'000	2022 RMB'000
At beginning of year	27,950	32,117
Grants received during the year	–	1,900
Amount recognised in profit or loss	(1,000)	(6,067)
At end of year	26,950	27,950

28. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

2023

	Deferred tax liabilities Right-of-use assets RMB'000	Deferred tax assets Lease liabilities RMB'000
At 31 December 2022	–	–
Effect of adoption of amendments to IAS 12 (note 2.2(c))	13,011	13,011
At 1 January 2023 (restated)	13,011	13,011
Deferred tax credited to the statement of profit or loss during the year	(10,388)	–
Deferred tax charged to the statement of profit or loss during the year	–	(10,388)
Gross deferred tax liabilities/deferred tax assets at 31 December 2023	2,623	2,623

2022

	Deferred tax liabilities Right-of-use assets RMB'000	Deferred tax assets Lease liabilities RMB'000
At 31 December 2021	–	–
Effect of adoption of amendments to IAS 12 (note 2.2(c))	16,421	16,421
At 1 January 2022 (restated)	16,421	16,421
Deferred tax credited to the statement of profit or loss during the year (restated)	(3,410)	–
Deferred tax charged to the statement of profit or loss during the year (restated)	–	(3,410)
Gross deferred tax liabilities/deferred tax assets at 31 December 2022 (restated)	13,011	13,011

For presentation purposes, deferred tax assets and liabilities have been offset in the statement of financial position.

29. SHARE CAPITAL AND TREASURY SHARES

Issued and fully paid:

	Number of shares in issue	Share capital USD'000	RMB equivalent RMB'000
Ordinary shares of USD0.0001 each			
As at December 31, 2023	1,296,289,733	130	838
As at December 31, 2022	1,292,635,233	129	835

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

	Notes	Number of shares in issue	Share capital RMB'000	Treasury Shares RMB'000	Share premium RMB'000	Total RMB'000
At 1 January 2022		1,158,114,723	742	(49)	7,971,649	7,972,342
Vesting of restricted share units		–	–	13	102,569	102,582
Exercise of share options		6,520,510	4	–	40,305	40,309
Issue of shares		128,000,000	89	–	452,856	452,945
Share issue expenses		–	–	–	(4,969)	(4,969)
At 31 December 2022 and 1 January 2023		1,292,635,233	835	(36)	8,562,410	8,563,209
Vesting of restricted share units	(a)	–	–	6	47,810	47,816
Exercise of share options	(b)	3,654,500	3	–	10,611	10,614
Share issue expenses		–	–	–	(54)	(54)
At 31 December 2023		1,296,289,733	838	(30)	8,620,777	8,621,585

Notes:

(a) During the year ended 31 December 2023, 8,863,660 restricted share units were vested, resulting in RMB6,000 and RMB47,810,000 transferred from the share-based compensation reserve to treasury shares and share premium, respectively.

(b) During the year ended 31 December 2023, 3,654,500 share options were exercised at the exercise price of USD0.001 per share (note 30) for a total cash consideration of RMB26,000. An amount of RMB10,611,000 was transferred from the share-based compensation reserve to share premium upon the exercise of the share options.

30. SHARE-BASED COMPENSATION

The Company operates a share-based payments scheme including restricted share unit scheme (the "**RSU Scheme**"), Pre-IPO share option plan (the "**Pre-IPO Plan**") and Post-IPO share option plan (the "**Post-IPO**" Plan) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the RSU Scheme, the Pre-IPO Plan and the Post-IPO Plan include the Company's directors, the Group's employees and non-employee consultants.

The RSU Scheme and the Pre-IPO Plan became effective in April 2021 when the board of directors of the Company approved the RSU Scheme and the Pre-IPO Plan. The maximum aggregate number of shares that may be issued under the RSU Scheme and the Pre-IPO Plan is 77,350,000 and 25,947,096 (taking into account the Capitalisation Issue) ordinary shares of the Company, respectively. The Post-IPO Plan was adopted by the Company on 26 September 2021, effective from the date when the Company got listed ("**Listing Date**"). The board of directors of the Company resolved that at the time of adoption of the Post-IPO Plan or any new share option scheme (the "**New Scheme**"), the aggregate number of shares which may be issued upon exercise of all options to be granted under the Post-IPO Plan, the New Scheme and all schemes existing at such time (the "**Existing Schemes**") of the Company must not in aggregate exceed 10% of the total number of shares in issue as of the date when the shares commenced trading on the Stock Exchange or the date of adoption of the New Scheme (as the case may be).

Share options

In 2021, the Company granted 3,095,430 (without taking into account the effect of the Capitalisation Issue) options under the Pre-IPO Plan to 138 employees. The vesting schedule of the options granted would be subject to both a listing-based vesting condition (the "**IPO Condition**") and a service-based vesting condition (the "**Service Condition**"). The IPO Condition would be satisfied the day after the first-half anniversary of the date when the Company get listed ("**Listing Date**"). Subject to the satisfaction of the IPO Condition, the Service Condition would be satisfied over a 4-year term.

In 2022, the Company granted 40,426,500 options to 9 directors and 205 employees under the Post-IPO Plan. The vesting schedule of the options granted would be subject to a service-based vesting condition, which would be satisfied over a 1-year or 4-year term.

In April 2023, the Company granted 2,037,000 options to 7 directors and 16,813,500 options to 157 employees under the Post-IPO Plan, respectively. The vesting schedule of the options granted would be subject to a service-based vesting condition and performance condition which would be satisfied over a 1-year or 4-year term. The performance condition is required to be satisfied by the mid-year performance check in and the annual performance evaluation.

The options granted to employees are accounted for as equity awards and measured at their grant date fair values.

30. SHARE-BASED COMPENSATION (CONTINUED)

Share options (Continued)

The following share options were outstanding under the Pre-IPO Plan and the Post-IPO Plan during the year:

	2023		2022	
	Number of share options	Weighted average exercise price per share option USD	Number of share options	Weighted average exercise price per share option USD
At 1 January	42,324,181	0.5367	19,611,886	0.0010
Granted during the year	18,850,500	0.2329	40,426,500	0.6366
Forfeited during the year	(13,029,873)	0.1175	(11,193,695)	0.2685
Exercised during the year	(3,654,500)	0.0010	(6,520,510)	0.0059
At 31 December	44,490,308	0.5747	42,324,181	0.5367

The weighted average share price at the date of exercise for share options exercised during the year was USD0.5745 per share (2022: USD0.5367).

The exercise price and exercise periods of the share options outstanding under the Pre-IPO Plan and the Post-IPO Plan at the end of the reporting period are as follows:

2023

Number of options	Exercise price	Exercise period
2,910,013	USD0.001	2022-2031
11,326,000	HKD7.300	2022-2032
12,603,925	HKD4.116	2022-2032
695,000	HKD3.894	2022-2032
3,687,370	HKD3.830	2022-2032
13,268,000	HKD1.820	2023-2033
44,490,308		

30. SHARE-BASED COMPENSATION (CONTINUED)

Share options (Continued)

2022

Number of options	Exercise price	Exercise period
7,639,872	USD0.001	2022-2031
11,326,000	HKD7.300	2022-2032
16,930,809	HKD4.116	2022-2032
695,000	HKD3.894	2022-2032
5,732,500	HKD3.830	2022-2032
42,324,181		

The fair value of the share options granted during the year was RMB16,275,000. The Group recognised share-based compensation expense of RMB26,670,000 for the year ended 31 December 2023 (2022: RMB40,469,000) in relation to share options.

The fair value of equity-settled share options granted to directors and employees was estimated as at the date of grant using a binominal model, taking into account the terms and conditions upon which the options were granted. The variables and assumptions used in computing the fair value of the share options are based on the Company's best estimate. Changes in variables and assumptions may result in changes in the fair value of the share options. The following table lists the key assumptions that the model used.

	2023	2022
Expected dividend yield (%)	0%	0%
Expected volatility (%)	57.15%-64.03%	57.15%-64.03%
Risk-free interest rate (%)	0.98%-3.37%	0.98%-3.37%
Expected life of options (year)	9.57	9.57
Weighted average share price (USD per share)	0.62	0.56

The expected life of the options is based on the historical data and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

30. SHARE-BASED COMPENSATION (CONTINUED)

Share options (continued)

As at 31 December 2023, the Company had 44,490,308 share options outstanding under the Pre-IPO Plan and the Post-IPO Plan. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 44,490,308 additional ordinary shares of the Company and additional share capital of RMB31,000.

The fair values of share options which were yet to be exercised were included in share-based compensation reserve. The amount will either be transferred to the share premium account when the related options are exercised or be reversed should the related options be forfeited.

Restricted share units

In 2021, the Company granted 6,400,224 and 261,474 (without taking into account the effect of the Capitalisation Issue) restricted share units under the RSU Scheme to 56 employees and 11 non-employee consultants, respectively. 80,070 restricted share units were forfeited during the year. The vesting schedule of the restricted share units granted would be subject to both the IPO Condition and the Service Condition. The IPO Condition would be satisfied the day after the first-half anniversary of the Listing Date. Subject to the satisfaction of the IPO Condition, the Service Condition would be satisfied over a 4-year term. The restricted share units granted to employees and non-employee consultants are accounted for as equity awards.

In 2022, the Company granted 10,651,000 restricted share units under the RSU Scheme to 135 employees without consideration. The vesting schedule of the restricted share units granted would be subject to a service-based vesting condition, satisfied over a 1-year term or 4-year term. The restricted share units granted to employees are accounted for as equity awards and are determined using the closing price of listed shares of the Company as at the grant dates. In 2022, 21,623,118 restricted share units have been vested and 11,387,781 restricted share units have been forfeited under the RSU Scheme. As at 31 December 2022, the Company had 23,711,497 restricted share units outstanding under the RSU Scheme.

In 2023, the Company granted 4,988,000 restricted share units under the RSU Scheme to 105 employees without consideration. The vesting schedule of the restricted share units granted would be subject to a service-based vesting condition and performance condition, satisfied over a 1-year term or 4-year term. The restricted share units granted to employees are accounted for as equity awards and are determined using the closing price of listed shares of the Company as at the grant dates. In 2023, 8,863,660 restricted share units have been vested and 6,369,773 restricted share units have been forfeited under the RSU Scheme. As at 31 December 2023, the Company had 13,466,064 restricted share units outstanding under the RSU Scheme.

The restricted share units granted to employees are measured at their grant date fair values, and the restricted share units granted to non-employee consultants are measured at the fair values of the equity at the dates on which the services are rendered.

The Group recognised share-based compensation expenses of RMB26,845,000 in relation to restricted share units for the year ended 31 December 2023 (2022: RMB54,554,000).

31. RESERVES

The amounts of the Group's reserves and the movements therein for the year are presented in the consolidated statement of changes in equity.

(a) Merger reserve

Merger reserve arose from the reorganisation undertaken by the Company in preparation for the listing.

(b) Share premium

The share premium account represents the amount paid by shareholders for capital injection in excess of its nominal value.

(c) Share-based compensation reserve

The share-based compensation reserve comprises the fair value of share options and restricted share units granted which are yet to be exercised, as further explained in the accounting policy for share-based compensation in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised or be transferred to retained profits should the related options expire or be forfeited.

(d) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of companies of which the functional currencies are not RMB. The reserve is dealt with in accordance with the accounting policy set out in note 2.4.

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2023, the Group did not have non-cash additions to right-of-use assets and lease liabilities (2022: RMB25,230,000) in respect of lease arrangements for buildings.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank borrowings RMB'000	Lease liabilities RMB'000
At 1 January 2022	–	67,920
Changes from financing cash flows	293,591	(28,773)
Currency translation differences	(1,242)	209
New leases	–	25,230
Reassessment of a lease term arising from a decision not to exercise the extension option	–	(8,497)
Interest expense	1,711	4,219
At 31 December 2022	294,060	60,308

	Interest-bearing bank borrowings RMB'000	Lease liabilities RMB'000
At 1 January 2023	294,060	60,308
Changes from financing cash flows	(353)	(28,568)
Currency translation differences	(1,975)	(565)
Disposal	–	(9,894)
Reassessment of a lease term arising from a decision not to exercise the extension option	–	(25)
Reassessment of a lease term arising from a decision to exercise the extension option	–	2,740
Interest expense	16,331	2,392
At 31 December 2023	308,063	26,388

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

(c) Total cash outflow for leases

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

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Within operating activities	3,020	5,559
Within financing activities	28,568	28,773
Total	31,588	34,332

33. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans are included in notes 25 to the financial statements.

34. COMMITMENTS

(a) The Group had the following capital commitments at the end of the reporting period:

	2023 RMB'000	2022 RMB'000
Contracted, but not provided for:		
Property, plant and equipment	13,895	18,696
Intangible assets	2,186	3,366
Total	16,081	22,062

(b) The Group has a lease contract that have not yet commenced as at 31 December 2023. The future lease payments for the non-cancellable lease contract are RMB300,000 due within one year.

35. RELATED PARTY TRANSACTIONS

(a) Name and relationship

The directors of the Group are of the view that the following parties are related parties that had transactions or balances with the Group during the reporting period.

Name of related parties	Relationship with the Group
Chengdu Tianhe Conventional Chinese and Medicine Technology Nurture Co., Ltd. ("**Chengdu Tianhe**")	An entity that controls a major shareholder of the Company
GenHunter Corporation	An entity controlled by the Company's chairman of the board of directors

35. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) The Group had the following transactions with related parties during the year:

	2023 RMB'000	2022 RMB'000
Office lease and utility expense:		
Chengdu Tianhe*	5,918	5,720
Purchase of services:		
GenHunter Corporation	–	8

* The Group entered into a set of property leasing agreements with Chengdu Tianhe, and accordingly recognised lease liabilities of RMB4,817,000 as at 31 December 2023 (2022: RMB7,962,000).

(c) Outstanding balances with related parties

	2023 RMB'000	2022 RMB'000
Amount due from a related party:		
Chengdu Tianhe	961	215

All the balances above are unsecured and interest-free.

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

	2023 RMB'000	2022 RMB'000
Short term employee benefits	28,452	59,898
Share-based compensation expenses	41,430	63,785
Post-employment benefits	5,241	3,430
Total compensation paid to key management personnel	75,123	127,113

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

36. FINANCIAL INSTRUMENTS BY CATEGORY

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

31 December 2023

Financial assets

	Financial assets at amortised cost RMB'000	Financial assets at fair value through profit or loss (Mandatorily designated as such) RMB'000	Total RMB'000
Trade receivables	24,106	–	24,106
Financial assets included in prepayments, other receivables and other assets	7,605	–	7,605
Financial assets at fair value through profit or loss	–	14,165	14,165
Time deposits and restricted cash	16,228	–	16,228
Pledged deposits	343,378	–	343,378
Cash and cash equivalents	735,864	–	735,864
Total	1,127,181	14,165	1,141,346

31 December 2023

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	
Current portion	247,829
Non-current portion	505,047
Financial liabilities included in other payables and accruals	36,909
Interest-bearing bank borrowings	308,063
Total	1,097,848

36. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

31 December 2022

Financial assets

	Financial assets at amortised cost RMB'000	Financial assets at fair value through profit or loss (Mandatorily designated as such) RMB'000	Total RMB'000
Financial assets included in prepayments, other receivables and other assets	8,890	–	8,890
Financial assets at fair value through profit or loss	–	13,929	13,929
Time deposits and restricted cash	19,243	–	19,243
Pledged deposits	229,861	–	229,861
Cash and cash equivalents	1,607,409	–	1,607,409
Total	1,865,403	13,929	1,879,332

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	856,964
Financial liabilities included in other payables and accruals	29,953
Interest-bearing bank borrowings	294,060
Total	1,180,977

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to the fair values, are as follows:

	Carrying amounts		Fair values	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Financial assets				
Financial assets at fair value through profit or loss	14,165	13,929	14,165	13,929

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

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fair value hierarchy

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

Assets measured at fair value

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss:	–	14,165	–	14,165

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (Continued)

Assets measured at fair value (Continued)

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss:	–	13,929	–	13,929

The Group did not have any financial liabilities measured at fair value as at 31 December 2023 (2022: nil). During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2022: nil).

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, comprise cash and cash equivalents, time deposits and restricted cash, pledged deposits and interest-bearing bank borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, other receivables, trade payables and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which the Group conducts business may affect the Group's financial condition and results of operations. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (Continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the foreign currency exchange rate, with all other variables held constant, of the Group's loss before tax.

Increase/(decrease) in loss before tax

	2023 RMB'000	2022 RMB'000
Increase in the USD rate by 5%	(10,207)	(11,509)
Decrease in the USD rate by 5%	10,207	11,509
Increase in the HKD rate by 5%	(3,908)	(39,102)
Decrease in the HKD rate by 5%	3,908	39,102

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Maximum exposure and year-end staging (continued)

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Financial assets included in prepayments, other receivables and other assets					
– Normal*	7,605	–	–	–	7,605
Trade receivables**	–	–	–	24,106	24,106
Time deposits					
– Not yet past due	2,943	–	–	–	2,943
Restricted cash					
– Not yet past due	13,285	–	–	–	13,285
Pledged deposits					
– Not yet past due	343,378	–	–	–	343,378
Cash and cash equivalents					
– Not yet past due	735,864	–	–	–	735,864
	1,103,075	–	–	24,106	1,127,181

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Financial assets included in prepayments, other receivables and other assets					
– Normal*	8,890	–	–	–	8,890
Time deposits					
– Not yet past due	2,943	–	–	–	2,943
Restricted cash					
– Not yet past due	16,300	–	–	–	16,300
Pledged deposits					
– Not yet past due	229,861	–	–	–	229,861
Cash and cash equivalents					
– Not yet past due	1,607,409	–	–	–	1,607,409
	1,865,403	–	–	–	1,865,403

* The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

** For trade receivables to which the Group applies the simplified approach for impairment, information is disclosed in note 19 to the financial statements.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

The maturity profile of the Group's financial liabilities as at the end of each of reporting period, based on the contractual undiscounted payments, is as follows:

	As at 31 December 2023				
	On demand RMB'000	Within 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Lease liabilities	–	19,623	8,036	–	27,659
Trade payables					
Current portion	247,829	–	–	–	247,829
Non-current portion	–	–	505,047	–	505,047
Financial liabilities included in other payables and accruals	36,909	–	–	–	36,909
Interest-bearing bank borrowings	–	310,034	–	–	310,034
Total	284,738	329,657	513,083	–	1,127,478

	As at 31 December 2022				
	On demand RMB'000	Within 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Lease liabilities	–	24,950	38,835	–	63,785
Trade payables	856,964	–	–	–	856,964
Financial liabilities included in other payables and accruals	29,953	–	–	–	29,953
Interest-bearing bank borrowings	–	294,060	–	–	294,060
Total	886,917	319,010	38,835	–	1,244,762

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2023.

39. EVENTS AFTER THE REPORTING PERIOD

There are no significant subsequent events after the end of reporting period that require additional disclosure or adjustments.

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	1,801,276	3,112,546
Total non-current assets	1,801,276	3,112,546
CURRENT ASSETS		
Prepayments, other receivables and other assets	199,641	383,494
Financial assets at fair value through profit or loss	14,165	13,929
Cash and cash equivalents	229,455	1,255,588
Total current assets	443,261	1,653,011
CURRENT LIABILITIES		
Other payables and accruals	4,261	6,350
Total current liabilities	4,261	6,350
NET CURRENT ASSETS	439,000	1,646,661
TOTAL ASSETS LESS CURRENT LIABILITIES	2,240,276	4,759,207
Net assets	2,240,276	4,759,207
EQUITY		
Share capital	838	835
Treasury shares	(30)	(36)
Reserves	2,239,468	4,758,408
Total equity	2,240,276	4,759,207

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Merger reserve RMB'000	Share premium RMB'000	Share-based compensation reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
At 1 January 2022	99,312	7,971,649	137,637	(15,064)	(3,877,060)	4,316,474
Loss for the year	–	–	–	–	(501,980)	(501,980)
Exchange differences	–	–	–	399,857	–	399,857
Total comprehensive loss for the year	–	–	–	399,857	(501,980)	(102,123)
Issue of shares	–	452,856	–	–	–	452,856
Share issue expenses	–	(4,969)	–	–	–	(4,969)
Share-based compensation	–	–	95,919	–	–	95,919
Vesting of restricted share units	–	102,569	(102,582)	–	–	(13)
Exercise of share options	–	40,305	(40,041)	–	–	264
At 31 December 2022	99,312	8,562,410	90,933	384,793	(4,379,040)	4,758,408
At 1 January 2023	99,312	8,562,410	90,933	384,793	(4,379,040)	4,758,408
Loss for the year	–	–	–	–	(2,662,011)	(2,662,011)
Exchange differences	–	–	–	88,246	–	88,246
Total comprehensive loss for the year	–	–	–	88,246	(2,662,011)	(2,573,765)
Share issue expenses	–	(54)	–	–	–	(54)
Share-based compensation	–	–	54,862	–	–	54,862
Vesting of restricted share units	–	47,810	(47,816)	–	–	(6)
Exercise of share options	–	10,611	(10,588)	–	–	23
At 31 December 2023	99,312	8,620,777	87,391	473,039	(7,041,051)	2,239,468

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2024.

A summary of the results and of the assets and liabilities of the Group for the last five years is set out below(note):

	For the year ended December 31,				
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000
Revenue	–	–	–	–	39,255
Other income and gains	16,908	24,341	38,262	23,246	2,571,354
Selling and distribution expenses	–	–	–	–	(54,766)
Research and development expenses	(45,799)	(228,219)	(1,826,301)	(1,465,324)	(649,885)
Administrative expenses	(17,035)	(76,429)	(345,710)	(410,237)	(198,816)
Loss for the year	(48,583)	(912,898)	(6,016,303)	(2,451,903)	(138,539)

	As at December 31,				
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000
Non-current assets	21,870	139,103	269,165	304,777	201,915
Current assets	164,346	1,048,425	5,076,495	4,389,929	1,899,519
Non-current liabilities	226,551	2,103,535	1,978,403	2,533,638	557,264
Current liabilities	27,487	66,734	2,148,109	2,829,205	2,277,003
Net assets/(liabilities)	(67,822)	(982,741)	1,219,148	(668,137)	(732,833)

Note: Five years' financial summary is presented as the Company was listed on November 5, 2021 and it is not practicable for the Company to present the financial summary of the Group prior to 2019.

DEFINITIONS

"AGM"	the annual general meeting of the Company to be held on June 20, 2024 or any adjournment thereof
"Articles of Association"	the articles of association of the Company adopted on September 26, 2021, which will become effective as of the date on which the Shares are listed on the Stock Exchange, as amended from time to time
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Australia Clover"	Clover Biopharmaceuticals AUS Pty Ltd., a proprietary company limited by shares registered in Australia on June 6, 2017, and a subsidiary of our Company
"Beijing Clover"	Clover Biopharmaceutical (Beijing) Co., Ltd. (克洛菲生物製藥(北京)有限公司), a limited liability company established in the PRC on September 1, 2020, and a wholly-owned subsidiary of our Company
"Board" or "Board of Directors"	the board of directors of our Company
"Business Day"	a day banks in Hong Kong are generally open for normal banking business to the public and is not a Saturday, Sunday or public holiday in Hong Kong
"CDMO(s)"	contract development and manufacturing organization(s), a company that serves other companies in the pharmaceutical industry on a contract basis to provide comprehensive services from drug development through drug manufacturing
"CEPI"	Coalition for Epidemic Preparedness Innovations, a foundation that takes donations from public, private, philanthropic, and civil society organisations, to finance independent research projects to develop vaccines against emerging infectious diseases
"China" or "the PRC"	the People's Republic of China excluding, for the purpose of this annual report, Hong Kong, Macau Special Administrative Region and Taiwan
"CMC"	chemistry, manufacturing, and controls processes in the development, licensure, manufacturing, and ongoing marketing of pharmaceutical products
"Companies Act"	the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time

"Companies Ordinance"	The Companies Ordinance, Chapter 622 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Company", "the Company" or "Clover"	Clover Biopharmaceuticals, Ltd. (三葉草生物製藥有限公司), an exempted company incorporated in the Cayman Islands on October 31, 2018
"connected person"	has the meaning ascribed thereto under the Listing Rules
"connected transaction"	has the meaning ascribed thereto under the Listing Rules
"Core Product(s)"	has the meaning ascribed to it in Chapter 18A of the Listing Rules; for purpose of the Prospectus, our Core Products refers to SCB-2019 (CpG 1018/Alum) and SCB-808
"Corporate Governance Code"	the Corporate Governance Code and Corporate Governance Report as set out in Appendix C1 to the Listing Rules
"Director(s)"	the director(s) of the Company
"Dr. Liang"	Dr. LIANG Peng, the founder, an executive Director, the chairman of the Board of our Company and a member of the Single Largest Group of Shareholders
"FDA"	Food and Drug Administration, a United States federal agency of the Department of Health and Human Services
"GenHunter"	GenHunter Corporation, a biotechnology company headquartered in the U.S.
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Greater China"	PRC, Hong Kong, Macau and Taiwan
"Group", "we" or "us"	our Company and its subsidiaries
"HK Clover"	Clover Biopharmaceuticals (Hong Kong) Co., Limited, a limited company incorporated in Hong Kong on November 30, 2018, and a wholly-owned subsidiary of our Company
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRSs"	International Financial Reporting Standards

"IND"	investigational new drug or investigational new drug application, also known as clinical trial application in China
"Independent Third Party(ies)"	an individual or a company which, to the best of our Directors' knowledge, information, and belief, having made all reasonable enquiries, is not a connected person of our Company within the meaning of the Listing Rules
"Latest Practicable Date"	April 22, 2024, being the latest practicable date prior to the printing of this purpose of ascertaining the information contained herein
"Listing" or "IPO"	the listing of our Shares on the Stock Exchange
"Listing Date"	November 5, 2021, the date on which dealings in our Shares first commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange. For the avoidance of doubt, the Main Board excludes the Growth Enterprise Market of the Stock Exchange
"MassBiologic"	Massachusetts Biologic Laboratories of the University of Massachusetts, the only non-profit manufacturer of vaccines approved by Food and Drug Administration in the United States
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules
"Mr. Joshua Liang"	Mr. LIANG Joshua G, an executive Director, the chief executive officer of our Company and a member of the Single Largest Group of Shareholders
"NMPA"	the National Medical Products Administration of China (國家藥品監督管理局) or, where the context so requires, its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局), or CFDA
"Nomination Committee"	the nomination committee of the Board
"Placing"	the placing of the Placing Shares by a placing agent at a placing price pursuant to a placing agreement dated December 6, 2022
"Placing Shares"	128,000,000 new Shares allotted and issued by the Company pursuant to a placing agreement dated December 6, 2022

"Post-IPO Share Option Plan"	the post-IPO share option scheme adopted by our Company on September 26, 2021, effective from the Listing Date, 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
"Pre-IPO Share Option Plan"	the pre-IPO share option plan adopted by our Company on April 15, 2021, as amended from time to time, the principal terms of which are set out in "Directors' Report – Pre-IPO Share Option Plan" to this annual report
"Prospectus"	the prospectus issued by the Company dated October 25, 2021
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	the year ended December 31, 2023
"RMB"	Renminbi Yuan, the lawful currency of China
"RSU Scheme"	the restricted share units scheme adopted by our Company on April 15, 2021 which was amended on September 26, 2021, the principal terms of which are set out in "Directors' Report – RSU Scheme"to this annual report
"R&D"	research and development
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Shanghai Clover"	Clover Biopharmaceuticals (Shanghai) Co., Ltd. (愷洛菲生物製藥(上海)有限公司), a limited liability company established in the PRC on February 9, 2021, and a wholly-owned subsidiary of our Company
"Share(s)"	shares in the share capital of our Company, with a nominal value of US$0.0001 each
"Shareholder(s)"	holder(s) of the Share(s)
"Sichuan Clover"	Sichuan Clover Biopharmaceuticals, Inc. (四川三葉草生物製藥有限公司), a limited liability company established in the PRC on June 4, 2007, a wholly-owned subsidiary of HK Clover
"Single Largest Group of Shareholders"	refers to Dr. Liang and Mr. Joshua Liang

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"UK Clover"	Clover Biopharmaceuticals UK Ltd., a limited liability company incorporated in England and Wales on 13 October 2021, and a wholly-owned subsidiary of our Company
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. Clover"	Clover Biopharmaceuticals USA, LLC, a limited liability company converted from Clover Biopharmaceuticals USA, Inc. (a stock corporation incorporated in the State of Delaware, U.S. on March 30, 2020) on January 24, 2024, and a wholly-owned subsidiary of our Company
"US$"	United States dollars, the lawful currency of the United States
"Zhejiang Clover"	Zhejiang Clover Biopharmaceutical, Inc. (浙江三葉草生物製藥有限公司), a limited liability company established in the PRC on August 23, 2016, and a wholly-owned subsidiary of our Company